

**EVALUATION OF THE PERFORMANCE OF EQUITY-  
SHARING SCHEMES ADMINISTERED BY THE DEPARTMENT  
OF LAND AFFAIRS, WORCESTER DISTRICT OFFICE OF THE  
WESTERN CAPE PROVINCE**

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Thesis presented in partial fulfilment of the requirements for the degree of  
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## **DECLARATION**

I, the undersigned, hereby declare that the work contained in this thesis is my own original work and has not previously been submitted in its entirety or in part at any university for a degree.



## **ABSTRACT**

The study evaluated farmworker equity-sharing schemes administered by the Worcester regional office of the Department of Land Affairs in the Western Cape. The objectives were to investigate the performance of farmworker equity-sharing schemes against recent literature, to evaluate the motivation for the establishment of these schemes and whether they served the purpose for which they were established. Through investigating the role these schemes play in improving the farmworkers' livelihood, the study investigated the changes farmworkers experienced on the farm since the establishment of the schemes. The perceptions of farmworkers regarding the schemes were also investigated.

The study found that at all the farms evaluated there was a lack of formal training to all the levels of farmworkers, including committee members and shareholder workers. These farms did not have the funds to finance training programmes for their farmworkers. Poor training impeded farmworkers to utilise their skills and participate in decision making on the farm. Contrary to the objectives of financial participation and farmworker equity-sharing schemes, most of these schemes did not achieve the broad objectives of the participation schemes such as empowering their workers.

Living and working conditions seem to have improved on most of the farms although some farms seem to have experienced no change at all. The ESTA Laws could be the cause of the improvements in housing and working conditions but not the implementation of the farmworker equity-sharing schemes. Respondents did not seem to experience discrimination due to gender. Financially the schemes are not performing well. This is evident from the number of schemes that were liquidated due to financial problems and for which financial statements could not be obtained. These schemes face various institutional and structural challenges, which includes financial challenges.

## OPSOMMING

Hierdie studie het plaaswerker-aandeelhouderskemas wat deur die Worcester-streekskantoor van die Departement van Grondsake in die Wes-Kaap bestuur word, geëvalueer. Die oogmerke van die studie was om die verrigting van plaaswerker-aandeelhouderskemas teenoor onlangse literatuur te ondersoek, om die motivering vir die vestiging van hierdie skemas te evalueer en te bepaal of hulle wel die doel dien waarvoor hulle gevestig is. Deur die rol van hierdie skemas in die verbetering van plaaswerkers se bestaan te ondersoek, het die studie ook ondersoek ingestel na die veranderinge wat sedert die vestiging van die skemas deur plaaswerkers ervaar is. Die plaaswerkers se persepsies van die skemas is ook ondersoek.

Die studie het bevind dat daar by al die plase wat betrek is 'n tekort aan formele opleiding aan al die vlakke van plaaswerkers was, met inbegrip van komiteede en aandeelhouer-werkers. Hierdie plase het nie oor die fondse beskik om opleidingsprogramme vir hulle plaaswerkers te finansier nie. Swak opleiding strem plaaswerkers in die toepassing van hulle vaardighede en in hulle deelname aan besluitneming op die plaas. In stryd met die doelwitte van finansiële deelname en plaaswerker-aandeelhouderskemas het hierdie skemas nie in hulle doel geslaag nie.

Woon- en werksomstandighede op die meeste plase het blykbaar sedert die vestiging van die skemas verbeter, alhoewel sommige plase skynbaar geen vernaderinge ondergaan het nie. Die Wet op die Uitbreiding van Sekerheid op Verblyfreg kan 'n verklaring vir die verbetering in behuising en werksomstandighede wees, en nie noodwendig die implementering van die plaaswerker-aandeelhouderskemas nie. Respondente het volgens alle aanduidings nie diskriminasie op grond van geslag ondervind nie. Die skemas presteer finansiël nie goed nie. Dit is duidelik uit die getal skemas wat as gevolg van finansiële probleme gelikwideer is en waarvoor finansiële state nie verkry kon word nie. Hierdie skemas staan verskeie institusionele en strukturele uitdagings in die gesig, waaronder ook finansiële uitdagings.



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I say “ukwanda kwaliwa ngumthakathi”.

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“If we knew what it was we were doing, it would not be called research, would it?”  
– Albert Einstein

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## CHAPTER ONE

### INTRODUCTION

#### 1.1 Background

The racial legacy had far-reaching consequences for the ownership of resources such as land and water in South Africa. It had a significant impact on the social, economic and political aspects of the country. Past government policies created a significant difference between races and between sectors of the economy. This resulted in two dimensions in agriculture, namely commercial and 'homeland' agriculture.

The 1913 Natives' Land Act, for example, emphasised government intentions to separate the two sectors and both the 1913 and the 1936 Land Acts resulted in homelands and settlement differences along racial boundaries (Vink, 1992). The majority of the population, which consisted of blacks, was allocated fragmented agricultural land – about 14 percent of the total land area. In contrast, about 86 percent was made available to the white minority (Harsch, 1992; Shepherd, 1994). These differences were later intensified by government policies, which were accompanied by racial laws driving traditional farmers to work on white-owned farms.

Ramaphosa<sup>1</sup> once said, "The oldest continuing call of the ANC is ... Mayibuye iAfrica! Come back Africa. The dispossession of the majority must come to an end. Unless we settle the land question, we do not have a country. If we handle it badly, we tear South Africa to pieces. If we manage it well, we create the foundations for a truly united nation" (Shepherd, 1994). Hence, land reform has to play a significant role in the process of redressing past inequalities.

Land is generally a primary means of subsistence and income generation for most rural people all over the world. The present government resolved to redistribute 30 percent of the agricultural land through land policy and statutory laws between 1995 and 2015 to benefit the previously marginalised communities (AgriReview, 2003). The land will be transferred to about 600 000 farming households resulting into two million farm livelihoods (Williams et al, 1996). This was to be done using various

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<sup>1</sup> Mr Cyril Ramaphosa was once ANC general-secretary and chief political negotiator.

land redistribution programmes. It is expected that this will give an opportunity to the previously marginalised communities to own land.

Van Zyl (1994), doubts that equality of opportunity will solve the issue of favouritism in South Africa. Eckert (in Van Zyl, 1994) remarks “consensus seems to favour equality of opportunity as a driving ethic in the economic sphere”. Furthermore, Backeberg (1996) argues that increased productivity and allocation of resources for the development of efficiency and equity are a form of balanced economic growth and development.

The introduction of land reform policy is one of the positive factors meant to bring about improved livelihoods and curb racial imbalances. Land reform consists of three phases, namely land restitution, securing land tenure systems and land redistribution. Equity-sharing schemes are but one of the forms of market-based land reform programmes falling under land redistribution. However, equity-sharing schemes do not only serve to redistribute land but entail other benefits as well.

## **1.2 Worker participation and farmworker equity-sharing schemes**

Equity-sharing schemes and profit-sharing schemes are but other forms of worker participation. These are meant to serve various purposes. The existing forms of worker participation have a close resemblance but differ in their structure, function and the level of worker participation. In the United States, worker participation schemes comprise workers’ democracy, profit sharing and worker ownership programmes. Ngqangweni and Van Rooyen (1995b) write that worker participation schemes have been used in various countries over the past years with little research to ascertain the factors predicting their adoption and maintenance.<sup>2</sup>

Positive experience from other countries has encouraged the South African government to assist the implementation of farmworker equity-sharing schemes. These are meant to empower workers and improve productivity without distorting the operational efficiency on farms. Farmworker equity-sharing schemes in South Africa could also be used as a unique strategy for land redistribution and agrarian reform (Ngqangweni & Van Rooyen, 1995b).

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<sup>2</sup> Due to the problem with transaction costs, such as opportunism and bounded rationality, to which all such investments are prone (Karaan, 2003).



The idea in South Africa was initiated by the private sector in the early 1990s (Knight & Lyne, 2002). In farmworker equity-sharing schemes, farmworkers buy shares in a farm, either in an enterprise or in the whole farm they work in. These schemes promote partnerships between farm owners and farmworkers for the benefit of both. Hence, successful schemes should show certain positive benefits for all parties involved.

Knight and Lyne (2002) emphasise that farmworker equity-sharing schemes should distribute wealth and future benefits, empower workers, retain or attract quality management and attract capital from the private sector to finance investment. These benefits also include improving worker productivity, better labour relations and, in the long run, transfer of both ownership and management of commercial farms to previously disadvantaged workers.

These schemes are agreements freely entered into by the parties involved, whereby workers (employees) become beneficiaries of the farm they work for by owning shares in the farm or in an enterprise on the farm (Nel *et al*, 1995; Hall *et al*, 2001). Thus, these schemes allow farmworkers to acquire shares in the farm while they are still employees receiving salaries. In most cases, these schemes are privately owned farming operations that are generally restructured as companies with the original owner of the farm and the farmworkers as shareholders (Knight & Lyne, 2002).

### **1.3 Problem statement**

Equity-sharing schemes are a form of an organisational structure, which can serve different purposes and could also be implemented under different circumstances by various role players. They can be used to empower farmworkers through active participation in the operation of the farm as beneficiaries. These schemes are supposed to benefit all parties in the partnership, namely the owner/farmer, the farm manager and the workers. All the role players share in the risk of the operation of a farming enterprise or the entire farm. The coalition management formed by these parties can differ in management level from farm to farm. These schemes also serve as incentives as workers possess assets on the farm. But the following aspects need to be investigated in order to assess the level of their success:



- The rationale behind the establishment of these schemes and whether they really achieve their intended purpose.
- The role these schemes play in influencing the shareholders'/workers' livelihoods.
- The attitude of the shareholders/workers towards the schemes.
- The institutions that are in place to assist farmworkers in improving their understanding of the scheme and the transfer of skills.

Thus, this study investigated the farmworkers' perceptions, awareness of the benefits of such schemes and their level of participation. The success of these equity-sharing schemes was investigated by considering different institutional, technical and environmental support structures made available to the workers to assist them in improving their livelihoods.

There is a possibility that some of these schemes are suggested during financial crisis and thus work only as easy cash pumps, replacing commercial loans to finance the farm operations. Therefore the reasons behind each farmworker equity-sharing scheme programme need to be investigated. According to Knight and Lyne (2002), previous studies have indicated negative and positive arguments for farmworker equity-sharing schemes in South Africa.

#### **1.4 Motivation**

Government and non-governmental organisations (NGOs) have embarked on a quest to push poverty fronts while at the same time dealing with pertinent issues such as equity and the distribution of wealth, especially to the poor. Farmworker equity-sharing schemes might seem to be good practices that are initiated with earnest intentions to redress past indifferences and improve productivity. Such schemes, however, can result from opportunistic behaviour. It could prove the schemes not to be worthwhile, as they do not deliver on their intended purposes. Hence the study will investigate the authenticity of the reasons behind these schemes and detail the views of the role players.

The study will provide a holistic overview of the perceptions of all the role players in the schemes by integrating the farmers/farm owners, farm managers and the



farmworkers in the study to determine benefits accrued for each. Previous studies on equity-sharing schemes indicate contrasting views about the performance of these schemes. The study done by Eckert *et al* (1995) showed positive contribution of the investigated scheme towards improving the human capital of the farmworkers and suggested a good economic performance.

The Surplus People Project (SPP) (1999) conducted studies in the Western Cape and in Mpumalanga and found that most of the schemes did not perform as expected. Knight and Lyne (2002) wrote that most of the criticism about these schemes could be attributed to the SPP's study of farmworker equity-sharing schemes in South Africa. Results of the study conducted by Knight and Lyne (2002) on the Whitehall Farms in 1996 contrasted with results of the study conducted by the SPP on the same farm. Some of the differences in the findings could be as a result of a single perspective, such as investigating the farmworkers' perspective with little emphasis on the managers' or other role players' perspective about the scheme.

This study will benefit government and NGOs involved in equity-sharing schemes and various other institutions offering financial and other support. Previous studies have concentrated their research on the performances of these schemes and less attention has been given to their role in redressing the poor standards of living of the farmworkers, among other issues. These schemes could perform well financially although the benefits do not trickle down to the beneficiaries. The study will also benefit policy makers by highlighting various policies that need to be enforced in order to assist farmworkers to best utilise the benefits presented by equity-sharing schemes.

### **1.5 Research objectives**

The aim of this study was first to explore the reasons behind the establishment of equity-sharing schemes in general. Against the background of the recent literature on equity-sharing schemes, the study evaluated existing equity-sharing schemes administered by the Worcester regional office of the Department of Land Affairs (DLA) in the Western Cape. The objective was to ascertain what the motivations were for the various parties involved in initiating the equity-sharing scheme on their farm and whether the schemes served the purpose for which they were established.

The study further investigated the role these schemes play in improving the farmworkers' livelihoods and their impact on improving these farms' human capital. Therefore the study investigated the socio-economic conditions of the farmworkers. The financial performance of these schemes to date was analysed in order to evaluate their financial performance relative to that of the industry.

## **1.6 Hypotheses**

The main hypothesis of the study is that equity-sharing schemes can benefit all the role players on the farm and the farm as a whole. These benefits are reflected in the improvements that occur in the process of implementation and after the implementation of the scheme. Such changes aim at improving the efficiency of the farm and to make it competitive and sustainable.

The specific hypotheses formulated for this study were as follows:

- Social aspects of the farmworkers are expected to improve since the inception of the scheme.
- In order for workers to better utilise the benefits presented by the schemes, necessary institutional arrangements, such as training aimed at assisting them with the overall operation of the equity-sharing scheme, would need to be implemented.
- Investment in technical and environmentally friendly means need to be made in these schemes as these would work towards improving working conditions of farmworkers and hence the performance of the equity-sharing scheme.
- These schemes would show improvements in their financial performance.

## **1.7 Research method and design**

The study was conducted on the farms administered by the Worcester regional officers of the DLA in the Western Cape. The study evaluated equity-sharing schemes which were regarded as fully operational considering the number of years in operation. Most of the schemes were more than two years in operation. The reason for choosing schemes that were regarded as fully operational is that their financial performance would be clearer due to returns on investments. In addition, benefits



from investments would accrue over a period of time and enable a clear indication of the performance of the scheme. For this study both primary and secondary data was used. Each scheme was evaluated using the case study method.

The initial business plans required by the DLA were used to acquire necessary descriptive information pertaining to the general operations of the various schemes. These were obtained by working in collaboration with the regional office of the DLA and with the managers of the various schemes. Financial statements were analysed to evaluate the financial performance of the schemes. To investigate social aspects of the perceptions of the role players and their attitudes towards the schemes, the study made use of structured questionnaire surveys. These questionnaires were administered through personal interviews. Respondents sampled from each group of role players in the equity-sharing schemes were interviewed.

## **1.8 Sequence of chapters**

In Chapter 2, a literature review of worker participation practice is discussed, focussing on a theoretical description of the concept and the forms of worker participation. A description of farmworker equity-sharing schemes is discussed in Chapter 3. In this chapter the aspects of these schemes and their operations are elaborated on, the concept is described, and issues and experiences from case studies done in South Africa are discussed. In Chapter 4, the research methodology is outlined and financial performance measures are dealt with. An overview of the study area and the overview of the farms included in the study are also discussed. Chapter 5 consists of the evaluation of the farms. A statistical comparison of the farms is provided in Chapter 6 along with the evaluation of the financial statements of those farms from which financial statements could be obtained. In Chapter 7, conclusions are drawn and recommendations are made.

## CHAPTER TWO

### OVERVIEW OF WORKER PARTICIPATION

#### 2.1 Introduction

Worker participation practices have existed in various forms in the political economies of most industrialised nations. These practices been accepted in both developed and developing countries, which has resulted in most countries adopting worker participation in their national constitutions. Córdova (1982) writes that the broader sense of the term ‘worker participation’ has been regarded as a desirable development in most democratic societies.

This practice has been associated with workers’ democracy in their workplace. In countries such as Germany, this practice is also known as industrial democracy (Robinson, 1990). According to Schregle (1987), the characteristics of worker participation are highly institutionalised practices based on detailed legislation, applied, interpreted and supplemented by a host of court decisions.

Worker participation practices have been suggested under different economic conditions in various companies.<sup>3</sup> Previously, in most countries worker participation has been implemented in periods of growth and expansion with the main focus on solving diversified work related problems and motivation. There is a notion that worker participation resulted from periods of recession, industrial unrest, shortage of skilled labour and declining productivity. This resulted into different names given to the practice of active workers’ involvement and participation in decision-making. This practice is also known as *worker participation*, *industrial democracy*, *worker’s control*, *self-management*, *workplace democracy*, *worker’s employee involvement and quality of worklife (QWL)* (Sirianni, 1987).

The decision to implement the practice is sometimes in pursuit of addressing job security and in some instances the survival of a company during times of recession, unemployment and inflation. In non-union organisations, worker participation has been seen as just another bureaucratic mechanism enabling management to possess greater control over production (Harrison, 1997).

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<sup>3</sup> The terms ‘company’ and ‘organisation’ will be used interchangeably throughout this study.



Monat and Sarfati (1986) argue that worker participation has in some cases been used as a discriminatory tool when favour is given to certain categories of workers. In such cases, only those certain categories of workers are allowed to express their views. Hence, most countries have embarked on developing legislation for the introduction of worker participation related practices. This legislation acts as a safeguard measure against the manipulation and discrimination of workers.

In most companies management saw worker participation as a challenge, which was going to introduce competition for the running of the company. These employers had a problem with workers' representation in boards and other forms of participation in the management of the company (Córdova, 1982).

This dislike gradually changed, as employers had a positive stance to worker participation in the organisation of their working conditions and the determination of their conditions of employment.<sup>4</sup> What interested most companies about worker participation were the solutions it could bring regarding the problems and consequences of any form of worker participation in the company's decision making. Harrison (1997) is of the opinion that worker participation was supposed to encourage workers to work harder and also increase their employer attachment. Earlier political theorists argued the value of participation as a means of optimising individual freedom and self-determination within a collective context (Poole, 1975).

In the late 1970s there was an increased move towards the establishment of works councils<sup>5</sup> and growth in collective bargaining (Córdova, 1982). There have been widespread changes in socio-economic conditions, which have brought about many changes in the over-all growth of workers' participation adaptation, scope, structure and function, which resulted in the diversification of systems (Emery & Thorsrud, 1969; Sirianni, 1987). The rapid development of different systems has resulted in the

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<sup>4</sup> Grant (1998a) writes that the *unitarist approach* holds that there is really no need for a conflict between employers and their employees as it sees an organisation as a single unit. (According to Hyman and Mason (1995), this approach favours small companies.) If a conflict exists it is due to a managerial system, which is too autocratic or the existence of poor communication between parties. Thus the need for union intervention would be to address management failures. The *pluralist approach*, on the other hand, holds the view that organisations are seen as having a combination of interest groups and conflict between these groups is natural. Hence, unions are viewed as natural and necessary. Lastly, the *radical approach* sees employers and employees rather representing opposite interest groups. This approach is based on the Marxist ideology, which argues that worker control and other organs of the system tend to supersede management. Thus, systems such as collective bargaining are seen to benefit management rather than labour.

<sup>5</sup> Works councils are another form of worker participation. This concept is discussed in Section 2.3.2.



existence of different and diversified institutions responsible for workers' participation. This created problems ranging from, confusion regarding responsibilities, problems of demarcation between different forms and systems and an impaired efficacy of decision-making (Córdova, 1982).

## **2.2 The concept of worker participation**

The concept has been widely used in different countries around the world with little uniformity in meaning. Participation may be casually interpreted as taking part in something or being involved in something. Carby-Hall (1977) suggests that this concept in its broad meaning is based on the community of interests between employer and employees. This is opposed to working in separation of interests, which is generally associated with collective bargaining. Córdova (1982) provides a world definition of worker participation that is "involvement or participation outside collective bargaining in decisions and processes relating to the employees' working life".

Although it is argued that the concept has no general definition, Salamon (in Anstey, 1990) suggests that worker participation lends itself to different interpretations:

- It could be interpreted as a socio-political concept or philosophy of industrial organisation. This interpretation refers to a form of employee self-management prevailing in organisations. These organisations may be employee owned or state owned, with a strong managerial function performed by elected representatives responsible for organisational decision making, which includes allocation of profits or surplus value.
- It could also be interpreted as a generic term to encompass all processes and institutions of employee influence. This employee influence ranges from simple managerial information giving through joint consultation to collective bargaining, works councils and forms of worker control within the organisation.
- Lastly, it could be interpreted as denoting a phase in the evolutionary development of traditional joint regulation process envisaging a move beyond traditional collective bargaining, and certainly mere information-giving



consultation ('pseudo-participation') to new levels of shared responsibility and shared decision-making ('real participation').

In short, worker participation is viewed as a practice in which employees take part in management decisions (Carby-Hall, 1977). Pateman (in Grant 1998b) describes worker participation as involving a modification of the orthodox authority (to a lesser or greater extent) structure where decision-making is a privilege of management, in which workers play no part. There are five major areas of organisational effectiveness that worker participation affects; these are motivation, satisfaction, acceptance of change, problem solving and communication (Lombard, 1999).

The definition by Pateman (in Viljoen, 1986) leads to the understanding that effective worker participation then requires that workers or employees receive the opportunity to participate, and also should be encouraged to fully participate in decision making by producing information, ideas and criticisms. They should be given constructive feedback on their input and should be rewarded for their contribution in a meaningful way.

Anstey (1990) noted various reasons behind the establishment of this practice, namely to save jobs, reform capitalism,<sup>6</sup> share wealth created, increase motivation and create a sense of common identity with the company. Other reasons include raise capital via tax concessions, acquire other companies and settle labour disputes. According to Viljoen (1986), this practice allows workers to add to the planning, controlling and organising functions of their jobs, motivating them and enhancing their individual and company performance. According to Pateman (in Grant 1998b), the main aims of worker participation are improved workplace democracy, improved labour relations and workplace relations, increase in production and efficiency in the workplace and sharing of company profits with workers.

Vaughan (in Viljoen, 1986) describes the practice of worker participation according to three arguments: the motivational argument, the improved decision argument and the industrial democracy model. According to the motivational argument, workers in the participative system feel motivated and satisfied with the work they do, thus

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<sup>6</sup> Marx criticised the classical economists as unable to acknowledge the historical character of capitalism. He argues that capital is a social relationship; it is not simply a set of means of production but rather the power that their control gives to the bourgeoisie, the power to use the means of production to produce profits. Only in a capitalist mode of production do the means of production become capital (Screpanti & Zamagni, 2001).



contributing to increased work productivity through their extra efforts. This enthusiasm is stimulated by the feeling of their meaningful contribution to 'their' company, which could be normally less or does not exist in companies that do not practise worker participation.

According to the improved decision argument, worker participation induces easier consensus among the role players in decision making in the company. This common understanding allows for a smooth implementation of decisions as rationality in the decision-making process would have been achieved through active participation of all role players in the company. A study conducted by Harrison (1997) found that most companies were actually hurt by worker participation. By using total production time per unit of output to measure efficiency, he found that worker participation did not result in efficiency at all. The main reason for the failure of worker participation in these companies appeared to be the timing of the adoption of the practice, since the practice was adopted to mend troubled relationships. Workers also seemed to distrust such management-initiated programmes.

The industrial democracy model points out that worker participation allows for the recognition of workers' rights as workers could make decisions pertaining to their lives. These arguments are by no means independent and their success and validity depends on the environment under which worker participative systems are undertaken. For example, the prevailing corporate ethos would have a significant impact on these arguments both individually and collectively.

According to Anstey (1997), worker participation can provide the following opportunities: improved productivity and quality leading to greater competitiveness, better organisational communication and coordination, more effective organisational design, greater legitimising of decision making through consultation and sharing of powers, individual employee development and improved conflict handling. He also provides the requirements for the success of the practice: a unified vision from all role players (management and workers), including more adversarial than confrontational models of exchange, new information flows, new skills, extensive and on-going training, realigned reward systems, holistic organisational thinking and reshaping, performance objectives for everyone, appropriate fit of participative form to the goals and capacities of those involved.



Worker participation often still remains a debatable subject instead of being a reality. This practice emerged as a new management strategy to offset various problems that could be brought about by the economic and market forces (Monat & Sarfati, 1986).

There are different forms of worker participation, which differ with regard to the scope of decision-making levels of the workers, the structure and the functions. A distinction between direct (involving individuals or small groups) and indirect (joint worker/management committees) as well as formal and non-formal worker participation forms can be made. As Córdova (1982) remarks, this practice could take different forms in different companies with functions including a simple provision of information through suggestions, schemes, consultation, co-influence and co-determination<sup>7</sup> all the way to self-management. Anstey (1997) describes direct participation as task-oriented rather than power-oriented participation, while indirect participation occurs through representation.

Pateman (in Grant, 1998b) clarifies this practice in terms of the existence of higher-level participation (co-determination) and lower-level participation (participative management). In higher-level participation, employees partake in decisions relating to company policy, goals and production rates. This participation reflects worker participation on decisions taken that not only concerns their work but the total existence of the whole company. Subsequently, in lower-level participation, participation is only related to decisions that affect the workers in their immediate working environment. The highest level of participation is worker management.

Monat and Sarfati (1986) add that primary level worker participation could be seen as a practice where management communicate information to the workers or their representatives enabling them to ask for further clarification or details, mainly on possible repercussions for the workforce. The higher level of participation would involve joint ventures and consultation, here decision-making is done unanimously by management and workers or representatives. In the higher level of participation, workers have an equal say in the decisions pertaining to the operation and governance of the company. Representatives representing workers on the company's board of directors could sometimes fulfil this role of participation or involvement.

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<sup>7</sup> Co-determination is often referred to as corporatism.



These levels or degrees of participation relate to a certain existing managerial style. A particular managerial style could define an approach toward worker participation that could likely be followed by a company and could also determine the extent to which employees could make a positive contribution to the decision-making process. The levels of employee participation in decision-making in a company under a particular existing managerial system are illustrated in Table 2.1.

**Table 2.1: Employee decision-making and participation level within different managerial systems**

Managerial system	Participation level	Decision-making process
<div style="display: flex; align-items: center; justify-content: center;"> <div style="writing-mode: vertical-rl; transform: rotate(180deg);">Autocratic</div> <div style="margin: 0 10px;">↑</div> </div> <div style="display: flex; align-items: center; justify-content: center; margin-top: 200px;"> <div style="writing-mode: vertical-rl; transform: rotate(180deg);">Democratic</div> <div style="margin: 0 10px;">↓</div> </div>	Top-down	Decisions come from the top (management)
	Consultative	Tentative decisions from the top and ask for input
	Consultative-upward communications	Ideas are expected from the lower level to the top
	Consensus	Everybody has to agree on decisions taken in the organisation
	Delegation with veto	Lower level can decide, but managers retain the right of veto
	Delegation with policy guidelines	Lower level make decisions within the policy constraints
	Pure delegation	Total democracy to lower level to make any decisions

**Source: Grant (1998b)**

From Table 2.1 it can be seen that autocratic managerial systems tend to make company decisions based on what management wants. These decisions normally affect the workers at lower level (with little to no input from them). In totally democratic managerial systems on the other hand, workers make unconstrained decisions that have a real impact on the overall running of the company.

Anstey (1994) suggests several industrial relations changes that could be expected in systems that are implementing worker participation practices, namely changes in the level and nature of employment, the nature of the company, the organisation of the

work, trade union strength and direction, the use of strike action and the shape of collective bargaining systems.

### **2.3 Different forms of worker participation**

Córdova (1982) discusses four forms of worker participation, namely shop-floor participation, works councils, collective bargaining and representation on company boards. These forms have three constituent elements that are necessary in understanding the various forms of worker/employee participation (Córdova, 1982; Salamon, in Anstey, 1990). These elements are:

- (1) The method or extent of participation – direct or indirect. Direct forms reflect the individual involvement in the decision-making processes while the indirect forms reflect participation through elected representatives.
- (2) The level in the organisation – work station level (lower level) to the board level (higher level) of participation.
- (3) The scope of participation – task-oriented participation versus power-oriented participation. In task-oriented participation, the operational work situation is the primary concern. This participation is normally associated with lower level or direct forms of participation. On the other hand, power-oriented participation tends to focus on managerial authority and decisions which determine the framework or environment within which the operational decisions have to be made.

This diversified nature of worker participation makes an exhaustive list of the forms of worker participation impossible. The practice exists in different forms in differing companies and countries, with the exalted benefits expected from the implementation of worker participation as the main common factor. The forms of worker participation range from ones that are implemented to encompass lower-level employees in an existing company without changes in the organisational and managerial structures to those that result in total alteration of the organisational and managerial structures. However, there are some worker participation forms that are widespread. These are discussed here.



### 2.3.1 Collective bargaining

According to Anstey (1997), collective bargaining is one of the most widespread and evident forms of worker participation worldwide. Schelling (in Morgan, 1998) describes bargaining power as “one’s ability to commit to a certain position and then convince the opposition to come to the position s/he has committed to”. Nel and Van Rooyen (1985) write that collective bargaining is a process, which could be seen from different spectrums depending on who’s evaluating it. This practice has a different connotation to an economist than to a psychologist.

Flanders (in Anstey, 1997) provides two reasons for driving collective bargaining in different enterprises: firstly, the market control through, which management seek to remove wages from competition and secondly, the managerial control through which behaviour in the workplace is regulated by procedural arrangements. Globally collective bargaining has shifted from concentrating on wages to encompass issues such as job security, improved productivity and creating employment, and issues directly affecting the worker, such as working hours, flexibility in working time arrangements, and payment by performance systems (Anstey, 1994).

Anstey (1997) provides the following arguments for bargaining:

- (1) It establishes minimum wages and labour standards.
- (2) It promotes efficiency in bargaining.
- (3) It promotes egalitarian working conditions across large and small companies.
- (4) It promotes economies of scale in pension, medical and training schemes.
- (5) It increases the power of labour and management, thereby limiting major conflicts as both consider the scale of costs involved.
- (6) It is a precondition to proactive, strategic unionism.
- (7) It promotes sectoral policy formulation, regulation and administration.
- (8) It provides resources for bargaining and human resource management purposes not available to small companies.
- (9) It ‘neutralises’ individual places of work from direct trade union activity.

These benefits have made this practice the most prominently used practice in different countries under different conditions. Several theories such as the game theory and the



organisational behaviour theory affect bargaining outcomes. Morgan (1998) writes that bargaining in labour negotiations consists of the following integrated systems: distributive bargaining, integrative bargaining, attitudinal structuring and extra-organisational bargaining.

The negotiation process could be affected by several factors of which some are external to the organisation and others are internal, such as the organisation itself. External factors include political factors, economic policy and public policy. Internal factors are the organisational culture, the history of management-union relations in the company, personalities of employer/employee representatives and the nature of dispute (Morgan, 1998).

### 2.3.2 Works councils

The diversity of organisation in different working conditions has made it difficult for management to implement various agreements even within one organisation. This has led to the establishment of works councils or workplace forums, which are responsible for disseminating agreements to the employees. This requires that employees have representatives in management.

The crucial question is the nature and the degree of the participation of these workers in management decisions and in the execution of those decisions. Prevailing conditions within the more or less neutralised managerial spheres of labour-management relations is crucial to determine the efficiency of the works councils, while handicapped by several problems of representation, social integration and solidarity with the interests of the labour force outside the undertaking (Fürstenberg, 1982).

Participative management is set to “inform employees in advance before implementing management decisions, but also giving employees majority control on the organisation’s governing body” (Israelstam & Marais, 1996). Carby-Hall (1977) remarks works or employee councils usually possess greater powers – in particular the power of veto on layoffs, work rules, rudiments, etc. – and represent employees exclusively.

Works councils are made up of representatives from unions and non-union employee groups with the sole responsibility, together with management, to control, implement



and facilitate effective management of the organisation. In some instances workers are elected to be labour/worker directors. This form of worker participation allows workers to participate in the management board of the company. Fürstenberg (1982) identifies features that characterise works councils e.g. a labour director could be a full member of the managing board, sharing all the general responsibilities of his colleagues and trusted by both the employees and the trade unions. According to Fürstenberg (1982), there are three requirements for an effective labour/worker director, namely functional integration, social recognition and competence. A labour/worker director could alternatively participate in the supervisory board.

### 2.3.3 Financial participation schemes<sup>8</sup>

Financial participation schemes could play a major role in motivating workers. This motivation could largely be achieved through clear connection between payment and performance. Mostert (1993) affirms that financial rewards received by workers could act as a form of motivation for the workers, hence influencing the output. Thus, according to Mostert (1993), financial participation is a form of a reward system serving as a motivating factor for most people. Nel *et al* (1995) highlight that in contrast to group-focused financial participation, share block schemes could be used when the goal of a joint venture is to relate profit to individual performance or to target sole ownership.

#### 2.3.3.1 Farmworker equity-sharing schemes

Knight *et al* (2003) describe farmworker equity-sharing schemes as a form which could be used to redistribute farm assets to land beneficiaries while maintaining the validity of commercial farming operations. Lombard (1999) also states that most importantly equity-sharing schemes provide incentives to the workers through the encouragement of ownership (by encouraging self-independence), establishing a

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<sup>8</sup> There are various forms of schemes falling under this practice which are widely practiced around the world. The forms discussed in this study pertain to forms that are widely used in South Africa. Some of the forms practiced around the world include: *gain-sharing schemes* – these schemes are linked to productivity rather than profitability; *premium payment plans* – distribute rewards according to measured daily output and are designed to achieve desired standards of performance; *merit-sharing schemes* – assess performance against standards set in specific work areas and workers are rewarded periodically for their achievement in these areas; and *productivity-sharing plans* – these plans work on a value-added basis, surpluses or a portion of surpluses being added to worker wages (Anstey, 1997).



nominal status equality between employees and their managers. Furthermore, this practice gives opportunities for plural ownership and social control of the industry. This practice is discussed further in Chapter 3.

### 2.3.3.2 Profit-sharing schemes

Various factors lead to the adoption and maintenance of profit sharing and employee ownership in companies. Some of the arguments for the adoption and advantages of profit sharing and employee ownership are their ability to reduce workplace conflict and improve company performance. Kruse (1996) adds that profit sharing also assists in reducing unemployment and layoffs, and employee ownership can broaden the distribution of wealth. Profit-sharing schemes introduce employees to an economic stake in the company (Grant, 1998b). According to Hyman and Mason (1995), the property ownership nexus forms the basis of the premise that a community of interest can be forged between capital and labour.

Lin *et al* (2001) state that profit sharing can shift the economy into a state of excess demand for labour. One of the motives behind profit-sharing schemes is motivating the workers by encouraging workers' identification with the company they work for, leading to higher productivity (Meade, 1972; Wadhwani & Wall, 1990). In a non-participative system, workers' extra effort put into their work only benefit the managers, as there are no incentives for the workers. They could make a minimum effort just to keep their jobs instead of working towards promoting profitability of the company.

In profit-sharing schemes, workers could put extra effort into their work knowing that the benefits accrues for both the manager and them (Lin *et al.*, 2001). An even greater incentive for the labour force would be when they don't only share profit but have profit-linked property in their profit-sharing system.

The positive arguments for profit-sharing schemes include the following:

- (1) Profit sharing can increase wage flexibility,<sup>9</sup> reducing unemployment during

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<sup>9</sup> The efficiency wage theory emphasises that the worker's effort is related to the payment system and working conditions, including the wage, unemployment rate, unemployment benefits and the like. It also assumes that firms possess market power to set wages. Hence, if firms believe that a lower wage would significantly reduce work effort, it may be profitable for them to lower their wages in the presence of mass unemployment.



recession. Weitzman (1987) shares this view by stating that profit sharing can act as a great equaliser of workers' income. He further adds that in a free-access profit-sharing system, this will result in equal pay for equal work in all firms, and no unemployment.

- (2) A profit-sharing economy will always display an excess demand for labour.
- (3) These schemes stimulate increased efforts from the labour force.

There is a clear correlation between the efforts of the workers to promote productivity and the ratio of their share in the company. According to Lin *et al.* (2001), these motivations for profit-sharing systems have negative results in studies conducted on profit-sharing companies. Out of 26 surveys, approximately 10 percent of the surveyed indicated a negative response on the workers' efforts with the sharing ratio. Only 30 percent in other surveys showed a correlation between effort and share ratio. Lin *et al.* (2001) poses the question "what precisely are the economic forces that motivate a firm to choose to be a profit-sharing rather than a fixed-wage, or even a pure-sharing one?"

Czarnecki (1970), discussing the negative arguments for profit-sharing schemes, writes that there is no guarantee that the company will earn sufficient profit during any year to add credit to the employee's retirement fund and provide extra compensation in the form of bonus. He adds that these schemes may sometimes only serve employers as a means to circumvent a wage increase that would have been reasonably expected in the long run. Also employees' attitude towards the benefits of profit sharing is usually more negative compared to other benefits<sup>10</sup> due to uncertainty of the future profits of the company.

Profit sharing is sometimes seen as a 'reserved' future benefit, which makes it difficult for employees to envisage their future benefits from the scheme. The nature of profit-sharing practice makes it difficult to provide an assured benefit although it could still be a legally protected benefit. Profit sharing gives an incentive to the firms to turn outsider unemployed workers into insider employed workers through the provision of inflation-free employment (Weitzman, 1987). Compared with a wage company, profit-sharing companies want to hire more labour than it is actually able to

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<sup>10</sup> Czarnecki (1970) highlights this conclusion is taken from the studies done in companies that practiced profit sharing.



hire on the profit-maximising contract parameters that it has selected. On the other hand, wage companies would want to hire as much labour as it is hiring under its current wage contract. Hence, Weitzman (1985) concludes that “a profit-sharing economy has some natural tendencies towards sustained, non-inflationary, marker-oriented full employment”.

Viljoen (1986) argues that a reason for the failure of this practice is the misconception that “management is the application of a collection of processes, practices and techniques rather than a total system of interacting activities built on a cohesive corporate ideology”. Disillusionment and malperformance arises when management does not support any form of management, process or practice.

#### *2.3.3.3 Employee-share ownership plans*

According to Mostert (1993), this form of participation received most support in South Africa. Employee-share ownership plans (ESOPs) are seemingly favoured in many countries, as McDermott (1996) also observes that ESOPs has shown a growing popularity in Canada since the 1980s, facilitated by legislation. Imbalances in wealth and property ownership, which are one of the economic and social inequalities facing the relations between employees and their employers, led to the introduction of ESOPs by labour movements (Hyman & Mason, 1995). ESOPs are a form of participation where employees are collectively involved in ownership and administration of company shares. These employees could directly or totally own the company they are working in.

Maller (1987) argues that this commonly occurs in cases where a company faces bankruptcy or total closure, and workers buy all the shares, leading to a different management and ownership of the company. Benefits from these plans are the distribution of profits to the workers in the form of wages, as workers directly and wholly own these companies. According to Conte and Tannenbaum (1978) this distribution of funds has the advantage of reducing taxes although it has an effect of depressing the conventional profit statement.

In a study conducted by McDermott (1996), companies that combined ESOP with worker participation in decision making outgrew those that did not. Those companies also experienced higher profit growth, higher net profit margins, higher productivity,



higher return on average total equity and higher return on capital. Mostert (1993) highlights that there is a lack of evidence connecting the performance of these companies to ESOP practice.

McDermott (1996) writes that the major variation between profit sharing and ESOP strategy in profits is the employee buyout. On the verge of bankruptcy a company may implement ESOP strategy whereby workers are motivated by the impression that they now own the company and hence improve productivity. This is usually encouraged by promoting trust through elimination of time clocks, fewer supervisors (promoting self-directed work groups) and instituting a justice and dignity provision where employees are innocent until proven guilty under the terms of a new grievance procedure.

This practice can also have negative repercussions, as some employees can end up earning less than they were before. Thus, Kaarsemaker and Poutsma (2002) argue that both profit-sharing schemes and employee share-ownership schemes siphon part of the risks of the company to the employees. They add that the more risk-averse the workers are due to the culture, the more financial participation schemes will be present. Seemingly financial participation schemes can be expected in countries where individualism, small power distance, weak uncertainty avoidance and masculinity are characteristic of national cultures. Mostert (1993) said that profit-sharing schemes and ESOPs are common in the financial sectors.

#### *2.3.3.4 Team/group finance/bonus incentive schemes*

According to Mostert (1993), these incentive schemes are widespread in manufacturing industries. He states that the paramount objective of these schemes is to improve economic performance and motivate workers through financial reward. Thus workers receive rewards whenever production is increased, in that a bonus would be paid when more units are produced per hour worked. These schemes use a formula for calculating the ratio of units produced to hours worked, which is a historical standard of production.

Mostert (1993) writes that there is seemingly a future for these types of schemes and that suspicious trade unions are likely to negotiate a collective employee productivity bonus rather than agreeing on an individual performance linked scheme. Fürstenberg



(1982) suggests that these schemes can be used where isolating the input of individual workers is difficult.

#### *2.3.3.5 Individual performance incentive payment schemes*

This type of incentive scheme is mostly practised by companies where there are no trade unions or weak unions. These performance incentive payments are mostly for sales related functions (such as commission) and at executive management levels (performance related payment). In weakly unionised and non-unionised companies, these schemes could be found at all levels of employees (Mostert, 1993). The same basis of calculation as the one used in group bonus incentive schemes could be used but modifying production units to cater for the sales and executive tasks.

#### *2.3.3.6 Turn-key and build, operate and transfer schemes*

According to Ngqangweni and Van Rooyen (1995b),<sup>11</sup> turn-key and build, operate and transfer schemes (BOT) are used to transfer public infrastructure to the state once they are in operation after using the private sector to build and to operate the scheme. This world-wide trend is based on saving time and costs achieved by private construction and financing. The major argument for these is their ability to induce the private sector to develop commercial farming operations which would be transferred to disadvantaged groups once they are up and running.

This approach reduces the high transaction costs of new entrants entering the commercial sector and increases the chances of previously disadvantaged groups entering the commercial sector. It has been realised the major problems paralysing these schemes are the operational and ownership problems. Bembridge (in Ngqangweni & Van Rooyen, 1995b) notes that these problems arise due to poor infrastructural alignment, such as inappropriate irrigation system design, the planting of inappropriate varieties etc. The solution to these problems is hiring or contracting an experienced commercial farmer with a proven track record.

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<sup>11</sup> Ngqangweni and Van Rooyen (1995b) wrote extensively about the following schemes: turn-key and build operate and transfer schemes (BOT), lease and buy schemes, share-milk schemes, agri-village schemes, and contract farming and outgrower schemes. Hence, most of the work written about the schemes reflects their views.



When these operational problems have been solved the state would buy the operating scheme at an agreed upon price and settle new growers. According to Ngqangweni and Van Rooyen (1995a), the benefits of these schemes include commercial finance availability to finance these schemes, mobilisation of best local expertise, and the fact that new entrants receive a proven, up and running system, thus the cash flow problem between establishment and first harvest is better. It also reduces the overhead costs of creating implementation capacity for the state.

#### *2.3.3.7 Lease and buy schemes*

There are various forms of lease and buy schemes. Simply defined these schemes entail leasing out of land and equipment to workers with the option to buy at the end of a certain period. The way in which this process would take place differs from scheme to scheme. Workers could be expected to put down a certain amount of money which could be non-refundable. Workers could receive financing from the government for financing the option premium. There could also be a rental market to support those who want to rent land. Ngqangweni and Van Rooyen (1995b) add that rental costs could be lowered by providing legal support and standardised contracts.

#### *2.3.3.8 Share-milk schemes*

Share-milk schemes closely resemble lease and buy schemes. This form of participation is mostly implemented in New Zealand, where workers initially rent a herd and later buy the herd or part of it. The ultimate goal is to turn workers into new commercial producers. Thus, these workers would rent a herd and ultimately become part owners or full owners of the land or with the help of the original owner purchase another farm.

#### *2.3.3.9 Agri-village schemes*

According to Ngqangweni and Van Rooyen (1995b), the main idea behind agri-village schemes is to encourage an individual business or a group of farming business to acquire and develop land for its employees. They further argue that this form of participation is suitable for highly intensive farming areas, since labour is intensive and the opportunity cost of agricultural land is high. Also, houses could be bought

free-hold, through a combination of the current government housing grant and an employer's housing subsidy scheme.

#### *2.3.3.10 Contract farming and outgrower schemes*

This is one of the most popular participation practices, especially between small cane growers and sugar millers in South Africa. This could be a widespread practice if government would give it the necessary support. Contract farming and outgrower schemes could also be implemented in other areas such as the coffee, timber, tea, fruit and vegetable industries (Ngqangweni & Van Rooyen, 1995b).

## **2.4 Chapter summary**

Different companies at various managerial levels and with various intensions have embraced the worker participation practice. However, one of the requirements for the success of the practice is the company's intention for implementing worker participation. Worker participation needs to be implemented with the right intentions rather than trying to mend deteriorating relations between employers and their employees. Thus it should not be used to solve existing problems but should be a tool implemented to encourage and strengthen ongoing sound relations.

Seemingly there is agreement on the benefits expected from the implementation of worker participation or 'empowerment' practice in most companies. These benefits include improved worker morale, motivated workforce, improved working conditions, and increased worker attachment to the operations of the company or enterprise, reducing conflicts and disputes with management, thus leading to higher production and profits for the company. It is widely found that these worker participation practices are started under either deteriorating economic conditions or in some cases poor employer-employee relations. Hence the practice is used to cushion economic losses or to mend relations.

Conditions under which a certain practice would be employed mostly depend on the objectives of management or all role players, as different forms of worker participation seek to achieve different goals. Companies tend to choose a practice according to the culture prevailing in the company. The presence of a union supported



by a dominant managerial system plays a role in the implementation of an empowerment practice (Grant, 1998b).

Although worker participation aims at improving the economic performance of companies there, however, are certain conditions under which different practices operate in different industries. Mostert (1993) highlights the importance of implementing a practice in a favourable environment to enable positive results. These conditions are crucial for the survival of worker participation schemes.

Farmworker participation schemes are no less different from other worker participation schemes in relation to the required environment to allow smooth operation of the scheme and thus yield positive results and achieve intended objectives. Due to several problems experienced with the initiation, implementation and operation of these schemes, perceptions regarding their ability to actually empower workers are questioned. One of the reasons is the variety of factors playing a role in determining the performance of farmworker equity-sharing schemes. However, some of these factors, such as government policies, politics and climatic conditions, are outside the control of the scheme.

## CHAPTER THREE

### LITERATURE REVIEW OF FARMWORKER EQUITY-SHARING SCHEMES

#### 3.1 Introduction

One of the characteristic features of the South African labour market is the large number of unskilled workers coupled with a low level of literacy, a relatively high rural proportion of the population and a highly unemployed urban population. South Africa has the world's most unequal income distribution, as measured by the Gini-coefficient (University of Cape Town, 1995; Lipton et al, 1996). These characteristics suggest serious constraints for development and empowerment.

Factors that drive other worker participation initiatives, such as the economic and social imbalances mentioned by Hyman and Mason (1995), exist in South Africa. These result in imbalances in wealth and property ownership, such as the skewed property ownership realised in land tenure. Farmworker equity-sharing schemes are meant to solve a relative number of past indifferences with the aim of increasing production while transforming land ownership to the previously disadvantaged.

The intension of this chapter therefore is to discuss the conceptual framework of the practice of farmworker equity-sharing schemes. Then an overview of the studies done by other researchers regarding this practice will be presented, along with a discussion of the perceptions of various role players involved in these schemes and in worker participation in general.

#### 3.2 The concept of farmworker equity-sharing schemes

In South Africa, farmworker equity-sharing schemes have the potential to address two problems, namely social imbalances (associated with poor treatment and empowerment of farmworkers) and economic imbalances (land inequality). Knight *et al.* (2003) define equity-sharing schemes as a strategy which could be used to redistribute farm assets to land beneficiaries while maintaining the validity of commercial farming operations. Joint ventures tend to assist resource poor farmers to weather the impact of the global agricultural sector. The key issue in this regard is that



resource poor farmers have access to secure rights to land, which is a requisite for any agricultural activity.

Farmworker equity-sharing schemes serve as but one of the many land reform programmes<sup>12</sup> or models implemented by government and NGOs in an attempt to redress socio-economic tensions and improve worker participation on farms. Property rights and ownership of land and water for agricultural use are some of the issues concerned with the existing distribution of rights and power in South Africa.

Farmworker equity-sharing schemes, with farmworkers as their main target group, have been used in South Africa since democratisation. This system, formerly known as the Settlement and Land Acquisition Grant (SLAG), has been evolving, as its grant was initially R15 000. Previously farmworkers received grants of about R16 000 per household from the DLA to buy shares in a farm. The grant is now known as the Land Redistribution for Agricultural Development Grant (LRAD) and consists of a grant and or loan ranging between R20 000 and R100 000 depending on the workers' own contribution (Ministry of Agriculture and Land Affairs, 2000).

These schemes have several benefits, such as that they economically empower the previously deprived groups, broaden their access to assets and support systems (Nel *et al.*, 1995; Ngqangweni & Van Rooyen, 1995b; Hall *et al.*, 2001). These benefits are achieved through sharing responsibilities in management and giving shareholders access to land and other farm assets with minimal costs as opposed to investing in a new establishment or business venture.

For these schemes to generate free spirit between all parties involved, socio-cultural and political conditions need to be favourable (Ngqangweni & Van Rooyen, 1995a). Various schemes are employed to increase the participation of workers in decision making and to capture their capacity for innovation. Authors such as Renton (1994), Eckert *et al.* (1995), Ngqangweni and Van Rooyen (1995b), Knight and Lyne (2002) and Lyne and Darroch (2003b) have written extensively about these schemes' benefits for farmworkers, owners and the society as a whole. They identified some of these benefits of farmworker equity-sharing schemes as follows:

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<sup>12</sup> The South African government has embarked on three land reform programmes in an attempt to redress land ownership. These programmes are land redistribution, land restitution and land tenure reform (Department of Land Affairs, 1997).

### 3.2.1 Benefits for farmworkers

- Prospects of increased income and wealth
- Long-term employment security
- Advantages of low risk in the initial phase of entry into commercial farming
- Long-term financial planning, thus increasing workers' capital base
- Skills transfer and technical and managerial support of high quality
- Increased trust due to the long-term relations with the partner (known partner)
- Another form of saving for retirement

### 3.2.2 Benefits for owners

- Incentive for motivating farmworkers, improving productivity and profitability, therefore leading to the attainment of specific business objectives
- Increased loyalty and more stable labour force
- Release of capital for alternative investment
- A greater awareness among workers of the company's operations
- Known partners
- Increased business harmony
- Can keep the fixed component of wage costs at a lower level than would otherwise be the case
- Help to attract (financial) support and retain key staff
- A contribution to the former RDP (Rural Development Programme)

### 3.2.3 Benefits to society

- A model to achieve redistribution goals
- Leveraging of state funds
- No additional costs to the state as technical, managerial support and extension services are provided by the private sector



- Empowerment of new entrants

Despite the advantages of farmworker equity-sharing schemes, disadvantages for the farm owner/manager(s) and farmworkers also exist. These disadvantages include a loss of decision autonomy and lower total share in profits (although the return on capital could increase). Disadvantages for farmworkers include exposure to farming risk and joint decision-making mechanisms (McKenzie, 1993). Renton (1994) adds that other factors outside the boundaries of the scheme could lead to a reduction in the company's share price. Other disadvantages are that workers risk losing their jobs and also a major portion of their capital – which can include life savings and grants – in cases where there is a total failure of the scheme.

The inability of shareholders to sell their shares in their own discretionary due to statutory prohibitions on insider share trading could also pose a problem. Ngqangweni and Van Rooyen (1995b) add that participation schemes can only work if benefits are accrued for both partners in the project through synergy and to the economy at large.

Various studies conducted in the past have resulted in mixed views about the benefits of these schemes. Studies done by the SPP on schemes in the Western Cape and Mpumalanga criticise the reasonableness of such schemes. These studies regard these schemes as a convenient way for commercial farmers to leverage cheap capital, increase productivity and eliminate strike action (Fast, in Knight & Lyne, 2002). Other studies, such as the one by Eckert *et al.* (1995), indicate the positive role of equity-sharing schemes. Ngqangweni and Van Rooyen (1995a) conclude from their studies done on Western Cape fruit farms and in the Eastern Transvaal that farmworkers' perceptions of the schemes were positive, although these farmworkers were concerned about their awareness of the arrangement.

#### 3.2.4 Key issues for success

In order to ensure successful implementation of worker participation schemes in general several aspects need to be considered to ascertain the survival of the schemes in the long run. According to Ngqangweni and Van Rooyen (1995b), case studies and projects done by the Development Bank of Southern Africa (DBSA) have aided identification of necessary success issues.



#### *3.2.4.1 Sellers' motives*

The motive behind the establishment of a worker participation scheme should be based on plausible economic motives. These schemes are not supposed to be used as easy access to capital or as a last resort to save an illiquid and insolvent business. Worker participation schemes should, however, be used for an improvement in the productivity and stability in the internal environment of the farm business.

#### *3.2.4.2 Existing social and business relationships*

Worker participation schemes should not be used to manage unpleasant relationships but should be used in a logical progression from existing sound relationships. One of the aims of these schemes is economic empowerment of farmworkers through creating access to wealth and empowerment in the workplace with regard to newly aligned relationships. Anstey (1990) argues that these schemes have been implemented when job security and organisational survival had to be addressed. He further states that there are four forces that shape up the South African labour relations, namely the unique historical, social, political and economic forces.

#### *3.2.4.3 The empowerment process*

The establishment of a participation scheme on a farm is an important process, which requires a great deal of attention. From the initiation of the scheme, farmworkers need to be trained and consulted in order to understand what the scheme means to them. In order to enable the farmworkers (uninformed buyers) to make an informed choice and to negotiate on equal balance with the land owner (informed seller), a buyer's support agent, with a mandate to advise the farmworkers with regard to all facets of the proposal, is required. A willing buyer in a participation scheme not only implies informed decisions but also a collective decision. However, choice by the individual farmworker to take part or remain outside the scheme should be provided for.

The worker's democracy needs to be emphasised as this could affect the success of these schemes. For example, 250 farmworkers were given three hectares as an incentive to produce their own wine on a wine-producing farm (Simonsig Wine Farm in Stellenbosch). Instead of producing wine, these workers chose to use the land to produce grass which they considered less risky than wine (Lombard, 2003).



#### 3.2.4.4 *Financial viability*

In the studies done by Ngqangweni and Van Rooyen (1995a) on the fruit farms in the Western Cape, farmworkers felt that the schemes were initiated in the rise of financial problems. Another important factor contributing to the failure of these schemes is that, in cases where the market value of the farm involved is higher than the productive<sup>13</sup> value, the farm is suppose to be sold at a discount to the market value (Nel *et al.*, 1995).

#### 3.2.4.5 *Loan security*

Nel *et al.* (1995) writes that, in cases were farmworkers take loans to buy into the farm; they usually need mortgages for security. This security usually does not normally come from the workers as mortgage on the farm is usually insufficient, which requires bonding over moveable assets. The value of security required will in cases exceed the pro-rata workers' share of the fixed and moveable assets, thus causing the owner to have no full benefit of the pro-rata share of assets to pledge as security for ventures outside the participation scheme.

#### 3.2.4.6 *Percentage participation*

The farmworkers' percentage share in the farm to an extent depicts the benefits these farmworkers would accrue from the arrangement. Most projects implemented ranges from 50:50 to less than 20 percent share (Nel *et al.*, 1995). The advantage of 50:50 joint ventures is less additional need for protection over the scheme, so there is commitment from both sides encouraged by the equal status between the workers and management.

#### 3.2.4.7 *Number of participants*

A reasonable number of workers are necessary for a meaningful farmworker equity-sharing scheme. Usually farmworker equity-sharing schemes are valid for capital-intensive agriculture with a high labour requirement. The model usually suits particular instances, such as where the farming unit is indivisible due to technical, managerial and natural resource constraints (McKenzie, 1993).

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<sup>13</sup> Some authors call this agricultural value (Lombard, 1999).

#### 3.2.4.8 Agrarian reform policies

The objectives of the agrarian reform policy should aim at equitable development and fundamental issues of productivity, food security, entitlements, and safety-net for the rural poor. Nel *et al.* (1995) writes participation schemes can satisfactorily contribute to rural welfare as part of a programme where opportunities, wealth and employment are equitably distributed.

#### 3.2.5 Institutional arrangements

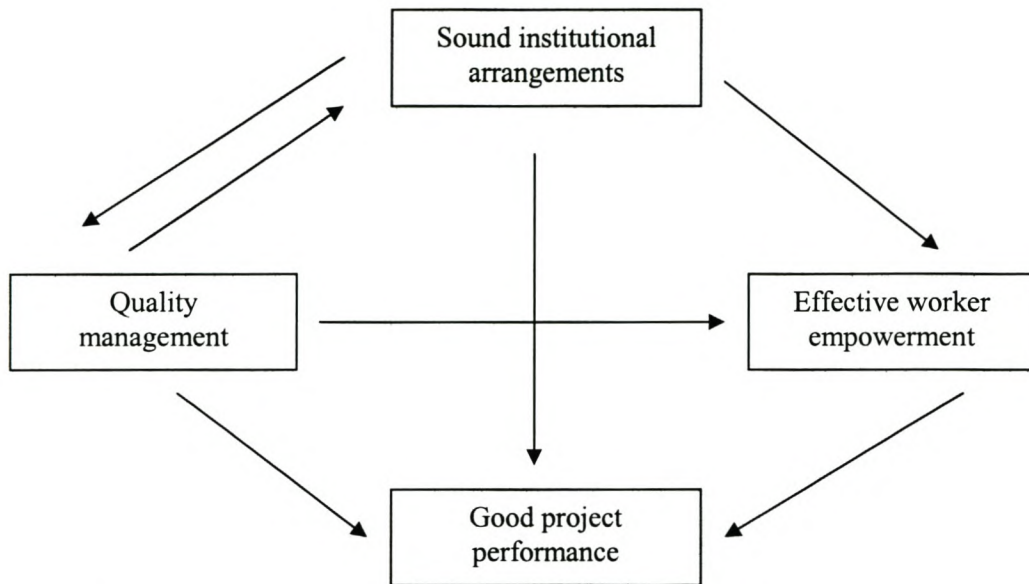
Knight *et al.* (2003) believe that there is a positive relation between sound institutional arrangements, competent management, effective worker empowerment (e.g. skills transfer and gender representation) and good farmworker equity-sharing scheme performance. Furthermore, their analysis suggests that farmworker equity-sharing schemes should be operated as (or like) a company with voting and benefit rights proportional to individual shareholdings.

In order to prevent free-riding by non-workers and the loss of creditworthiness through sudden outflows of equity and managerial expertise, restrictions on certain share transactions need to be implemented. The relationship between institutional arrangements, worker empowerment and management and the overall performance of the farmworker equity-sharing schemes is represented in Figure 3.1.

Figure 3.1 illustrates the critical role that management plays in the performance of the equity-sharing scheme. Management is responsible for putting in place sound institutional arrangements to ensure effective worker empowerment. In turn these institutional arrangements affect the management, as illustrated by the arrows coming from both directions.

Knight *et al.* (2003) writes that institutional arrangements have a direct and indirect effect on the performance of farmworker equity-sharing schemes. These institutions are also inversely influenced by the quality of management. Thus, transfer of skills to empower worker shareholders and promoting good corporate performance are critical roles played by managers. The hiring of an external auditor is one of the practices promoting good corporate performance hence promoting trust by all role players. Nieuwoudt (in Knight & Lyne, 2003) states that joint ventures require decisive and accountable management for financial performance.



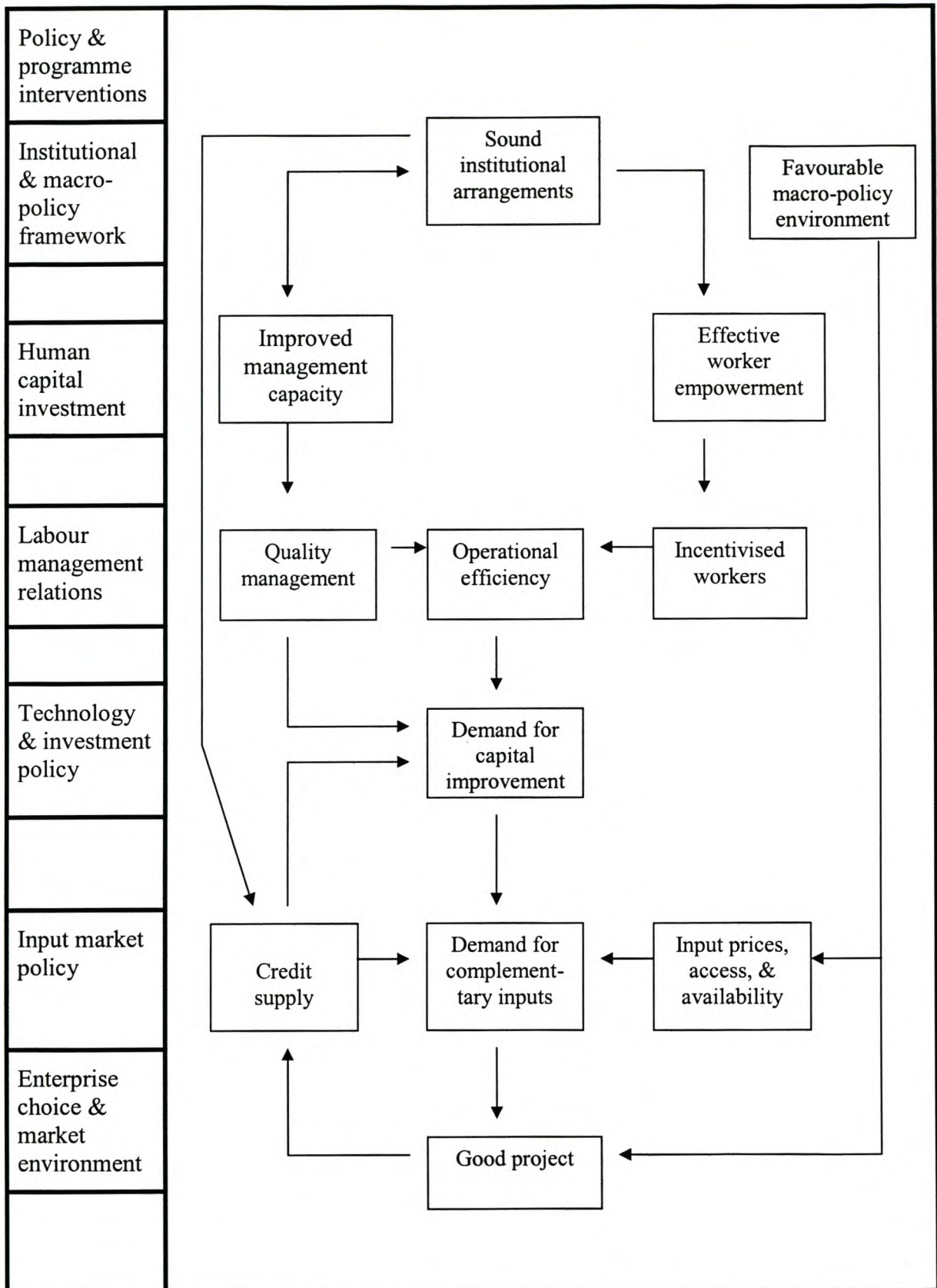


**Figure 3.1: Empirical constructs of a farmworker equity-sharing scheme**

Source: Knight *et al.* (2003)

Companies do not operate in a vacuum; there are other factors, which are crucial to the survival of these schemes. Some of these factors are totally outside the control of the scheme. These factors include government and industry policies, and the industry under which the company operates, such as the deciduous fruit sector or the citrus fruit sector.

The total environment under which equity-sharing schemes operate is illustrated in Figure 3.2.



**Figure 3.2: Conceptual model of factors contributing to the performance of farmworker equity-sharing schemes**

Sources: Knight *et al.* (2003) and Roth (2003)



According to Knight *et al.* (2003), the left-hand side of Figure 3.2 identifies strategic points of policy and programme interventions that impinge directly or indirectly on the company. Knight *et al.* (2003) write that a favourable macro-policy environment will aid the performance of even a badly designed company while a poor environment (currently the deciduous fruit sector, for example) will constrain the performance of a well-designed project.

These factors sometimes affect the scheme negatively or positively. For example, the macroeconomic environment, which is influenced by domestic policy and global trade, will have an important bearing on the profitability of the enterprise regardless of its institutional and organisational features.

According to Knight *et al.* (2003), a favourable institutional environment combined with an enabled management and workforce, *ceteris paribus*, should improve the operating efficiency of the enterprise, thereby increasing demand for, and the profitability of, fixed improvements and complementary inputs. Thus, failures could result due to poor external environments, lack of political support or even an internal conflict and lack of individual incentives.

According to De Haan and Werter (in Roth & Lyne, 2002), collectivisation in Columbia resulted in a state of indebtedness and poor economic results, and poorly maintained infrastructure on collective farms stemming from lack of members' ability to manage a collective enterprise (pool resource problems), free rider problems, lack of credit, technology choice inconsistent with beneficiary's interests and skills left beneficiaries uncommitted.

Karaan (2003) highlights that these schemes are also subject to institutional incompleteness. This incompleteness stems from lack of verifiability related to social capital, embeddedness, governance and micro-performance. In addition, they lack the requisite *ex ante* incentives to enable *ex post* adaptation, counterveillance over opportunism, and the distribution of residual claims and control.

He further states that the first reason for incompleteness emanates from the motivation of the initiators, which is opportunism by landowners to secure their assets in the face of uncertainty and/or enhance their returns in the marketplace. The lack of worker effort and options in the early stages raises credible commitment questions and examining the governance aspects of equity schemes reveal that they are consistent

with modern trends to separate ownership and control. However, according Karaan (2003), a key concern is the asymmetry in human capital and subsequently in power, residual control, gratification, and ultimately economic empowerment.

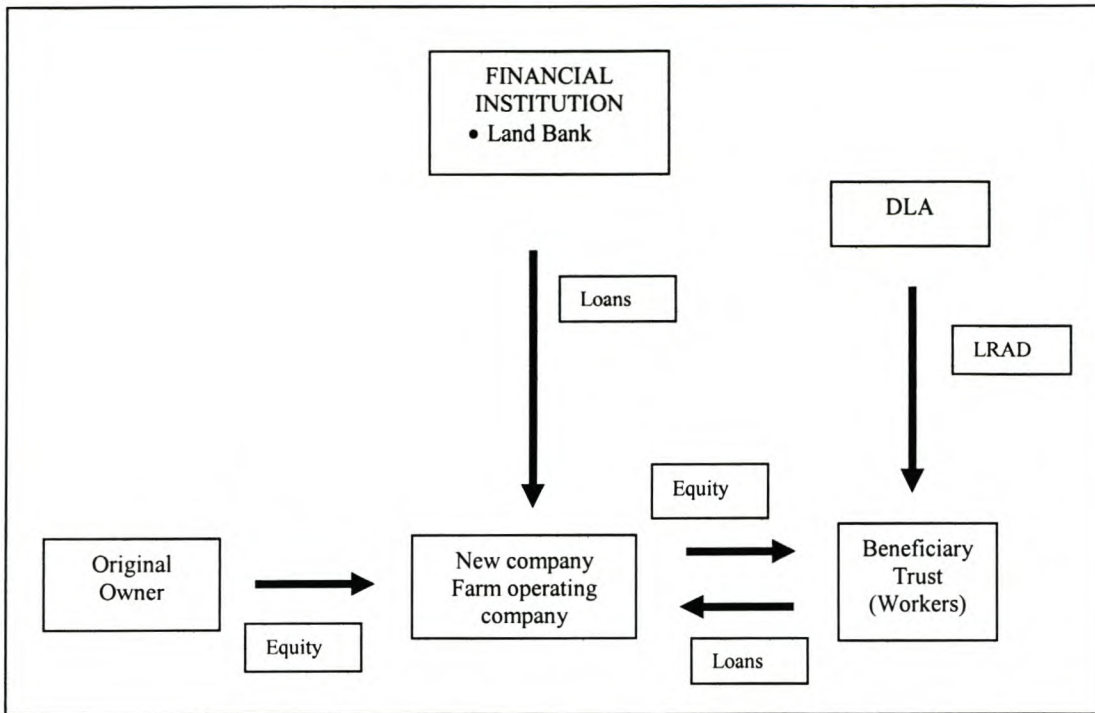
### 3.2.6 Scenarios for farmworker equity-sharing schemes

Different operational arrangements exist within the farmworker equity-sharing scheme practice. These arrangements determine the way in which a scheme would be operated and define to a certain extent the distribution of power and decision-making within the scheme. These arrangements could be influenced by the initial process of implementation, negotiated terms between the different parties and the type of shareholding and business. Shareholding can also determine the level of influence of each role player in the overall operation of the scheme. Added to this is the representation of all role players in the decision-making committees, such as the board of directors. Below are some of the forms farmworker equity-sharing schemes could take.

The landowner (farmer) and the farmworkers (the farmworkers own a share of the Land Holding Company) could jointly own the Land Holding Company. They form a partnership to purchase a neighbouring farm, or the farmworkers acquire shares in the existing farm. The two parties then enter into a joint venture or equity scheme and establish an Operating Company on the farm (The Land Reform Policy Committee PC.Doc.9/1997).

Figure 3.3 illustrates the representation of different role players involved in this particular scheme. There are various players making up the new operating company, namely the original farm owner, the farmworkers and the financial institution. Mostly farmworkers' shares are organised in a trust and usually they get funds from the LRAD grant to finance the purchase of their shares. Shareholding differs significantly from farm to farm.





**Figure 3.3: An example of the organisational arrangement of an equity-sharing scheme**

**Source: Adapted from Anon (2003)**

### 3.3 Farmworker livelihood and experiences with equity-sharing schemes in South Africa

This section provides an overview of the characteristic features and livelihood of farmworkers in South Africa. In order to understand the need and the way these schemes would affect farmworkers' socio-economic conditions, the focus is on their background and the relations between them and the farms they work for. Further on, workers' experiences with farmworker equity-sharing schemes and worker participation schemes, based on case studies, are discussed.

#### 3.3.1 A brief overview of farmworker livelihoods in South Africa

Several studies have been conducted about the conditions under which South African farmworker experience. Most studies have indicated poor working and living conditions under which farmworkers lived hence their livelihoods have been negatively affected. The prolonged exploitative control legacy has left physiological, social and institutional barriers for the majority of farmworkers in South Africa. This has led to farmworkers categorised amongst the poorest group of workers,

characteristic of poor living standards, poverty, and an extreme difference of power between the farmer and the worker and between men and women (Husy & Samson, 2001).

The labour force in the agricultural sector is predominantly black with low levels of education (Orkin & Njobe, 2000; Hall *et al*, 2001). According to the Census '96 their income was R 500 and less however, the introduction of the minimum wage standards in 2004 required that all farmers pay their workers R 800.00 for workers in areas where average household income is more than R24 000 per annum and R650 for workers where average household income is less than R24 000 per annum.

Some of the challenges faced by these workers can be attributed to the paternalistic relationship culture that prevailed on farms (South African Human Rights Commission, 2003). This phenomenon has been sustained by, amongst other factors, the locations of the farms, as most farms are situated in remote areas. Some of the workers spend almost their entire lives living and working on these farms and sometimes have their children growing up and working on the same farms, resulting in farm life being their only experience. These are some of the scars left by the past government regime. The present government has responded in various ways to solve these problems.

Different farms offer different fringe benefits, such as paid sick leave, maternity leave, work pension, water in houses and study bursaries. However, farmworkers in some parts of the country are still experiencing ill-treatment from their employers. The following statement highlights some of the concerns people have about the life and circumstances of farmworkers in South Africa.

*"One man's family has worked for a farmer for three generations, hard, physical labour every day. This man has worked since his birth for the same farmer but has nothing, no savings, not even a bicycle. These people can afford nothing." (Poverty and the labour market, 1996).*

The above statement was made by a farmworker foreman in the Eastern Cape in 1995 (*Poverty and the labour market*, 1996). Tregurtha & Vink (2001) found that farmworkers in South Africa still share many economic characteristics with unemployed people living in the peri-urban areas of the country and are, in nutritional



terms, worse off than even the rural unemployed. However, they also acknowledge that these workers enjoy relative good housing conditions.

Farmworker equity-sharing schemes is but one of the solutions that could assist these workers in improving their livelihoods. In 1997, government made an attempt to improve the conditions under which farmworkers lived and worked by passing a law<sup>14</sup> that meant to cater for farmworkers, namely The Extension of Security of Tenure Act (ESTA). The main objectives of ESTA are: to provide measures with state assistance to facilitate long-term security of land tenure, to regulate the conditions of residence on certain land, to regulate the conditions or circumstances under which the right of persons to reside on land may be terminated and to regulate the conditions and circumstances under which persons whose right to residence has been terminated may be evicted from land and to provide for matters connected therewith (The Extension of Security of Tenure ACT, 2004).

Other drivers of the values and principles of equity enshrined in our constitution include The Broad-Black Economic Empowerment Strategy. This strategy was developed in order to address the systematic exclusion of the majority of South Africans from full participation in the economy (Department of Trade and Industry, 2005). The exclusion of the blacks from economic power through underdevelopment resulted into landless black majority, poor developmental skills and other disempowerments.

South Africa's economic transformation therefore seeks to redress imbalances, abet inclusion of a majority of blacks into the economy through new laws that have restored rights to land and tenure, prescribing unfair discrimination and to introduce specific active measures to overcome distortions in the labour market (Department of Trade and Industry, 2005). Agriculture as one of the most affected economic powers has adopted its own Broad-Based Black Economic Empowerment Strategy, the AGRIBEE framework. The main aim of the framework is to facilitate and speed up inclusion of the majority of blacks in the agricultural sector. Their inclusion should be as owners, managers, professionals, skilled employees and consumers therefore

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<sup>14</sup> Several other laws aimed at protecting workers as a whole were passed in South Africa. These laws include: The Basic Conditions of Employment Act (BCEA), The Compensation for Occupational Injuries Diseases Act (COIDA), The Labour Relations Act (LRA) and The Employment Equity Act (EEA). ESTA was the only law that emerged specifically to protect farmworkers.



eliminating the skewed participation and inequality in the sector (Department of Agriculture, 2004a).

### 3.3.2 Experiences from farmworker equity-sharing schemes

A number of farmworker equity-sharing schemes currently exist in South Africa. These equity-sharing schemes are in different stages of their establishment and operation. Several schemes continue to prosper while other schemes had to be liquidated. The causes of the success and failure of these schemes is of interest to various parties. This has led to major research undertaken by a number of researchers. The results from some of the investigations are documented below.

According to the study by the Surplus People Project (1999) on farmworker equity-sharing schemes in the Western Cape and Mpumalanga,<sup>15</sup> the major reason for the workers' participation in the scheme was to provide for their children. In a study by Lyne and Darroch (2003b), it was found that the main reason farmworkers engage in equity-sharing schemes is the opportunity to influence decisions affecting wages, working conditions, housing and tenure security for their families. However, expectations of the beneficiaries are not always met. Beneficiaries voiced their concern on the lack of visible benefits such as increased income or improved living conditions.

The study by the SPP further indicated that there are problems that need to be solved in some of these schemes before they could operate effectively.

#### 3.3.2.1 *Assessment of equity-sharing schemes by farm owners/manager(s)*

A study conducted by Lastarria-Cornhiel (2001) found that there is tremendous variation between farm owners/manager(s) and farmworkers on the level of enthusiasm and commitment to equity-sharing businesses. The majority of farm owners/manager(s) expressed their agreement for the need to improve farmworkers' income, living standards and social status. They realise that equity-sharing schemes are an appropriate means for attaining these objectives. The need to empower workers

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<sup>15</sup> The schemes that were involved in the investigation were from Mpumalanga: Hoogland Chickens cc and Ebukhosini. In the Western Cape Whitehall and Warmwater were investigated.



and to integrate them into the management of the farm operation was regrettably only realised by a small minority of farm owners/manager(s).

### *3.3.2.2 Assessment of equity-sharing schemes by farmworkers/shareholders*

The majority of farmworkers/shareholders are not certain about the operations of farmworker equity-sharing schemes and hence their enthusiasm is low. Lastarria-Cornhiel (2001) writes that farmworkers/shareholders are still not sure about their rights as shareholders and the terms set out in the trust deed or company shareholding document. They feel inferior to fellow shareholders who are farm owner(s). Farmworkers also feel that their real say in the management of the farm operation is null and void.

Lastarria-Cornhiel (2001) concludes that it would seem that the problem is the insufficient level of training the farmworkers/shareholders receive. To compensate for this deficiency some schemes hire or contract more training workshops for their farmworkers/shareholders additional to the training received through the LRAD programme. This training results in improved knowledge and understanding of the operations of farmworker equity-sharing schemes.

The level of farmworkers' enthusiasm and interest in the schemes vary greatly. On the one hand, some are anxious to see the tangible benefit of these schemes, while on the other hand, others feel it would take some years before they could reap tangible benefits from the scheme.

### *3.3.2.3 Problems experienced by workers (beneficiaries)*

The SPP did a study of a number of farmworker equity-sharing schemes, evaluating beneficiaries' experiences with these schemes. Most of the experiences discussed below are drawn from the SPP study:

- Due to the complexity of equity-sharing schemes, farmworkers did not understand all the options proposed by these schemes. In some cases land reform and housing options were not always fully explained to them. Further, equity schemes were found to limit residential and employment mobility.

- In the initial stages farmworkers did not participate in decisions impacting on the financial and legal arrangements of the schemes. Ngqangweni and Van Rooyen (1995a) add that workers tend to lack understanding of their new role as shareholders once the scheme is up and running. However, the situation usually improves as far as the day-to-day running of the scheme is concerned.
- There is a lack of communication between farmworkers and their employers. Distribution of a 'Worker's Handbook', which is meant to improve communication between workers and farmers, does not always solve the problem (Eckert, *et al.* 1995).
- Due to a long history of social, economical and political dominance by employers, these farmworkers find it difficult to take responsibility. Patronage and dependency are still entrenched in the farmworkers even though they are beneficiaries.
- A lack of capacity to engage in meaningful decision making and a lack of understanding of the financial statements are some of the major setbacks experienced by beneficiaries. Thus there is a need to link the development of skills with the transfer of responsibilities. Training has to cater for skills development with regard to all aspects rather than production skills only.
- In all the schemes investigated, labour relations were good and improving except for one scheme where labour relations were characterised by high levels of conflict.
- There are differences in the treatment of beneficiaries and non-beneficiaries in the schemes. These differences include access to training, which is only provided to beneficiaries who are also pressured to work harder for the success of the scheme.
- Gender relations only seem to focus on the workers' legal entity as promoting and protecting women's interests and ignoring their economic interests evidenced by discriminatory wage structures.
- In respect to tenure security, workers feel more secure and have a better understanding of the rules relating to entry/exit. However, they are insecure



about the future. A lack of individual personal share certificates is an example of a cause of insecurity.

#### 3.3.2.4 *Positive experiences from the schemes*

The study conducted by Knight and Lyne (2002) indicated more positive results regarding these schemes. The study included four other schemes not investigated by the SPP. Unlike the SPP study, Knight and Lyne's study covered most of the role players rather than concentrating on a certain interest group. Some of the study's findings are as follows:

- A great networking exercise exists among different workers from different schemes. This networking included visits to other worker-shareholders/beneficiaries to share experiences and attend workshops.
- Workers enlisted the services of a private accountant to help them understand the financial implications of the project and to advise them accordingly. Eckert *et al.* (1995) found that workers knew what would happen to their shares in case they wanted to leave the scheme.
- Trustees had a clear understanding of the operations of the workers' trust.
- There was a high level of enthusiasm about the involvement in the schemes. Ngqangweni and Van Rooyen (1995a) state that farmworkers generally have a positive response about the schemes.
- Trustees felt that they could improve working conditions if they chose to (and perceived this as one of the benefits of the farmworker equity-sharing scheme). Eckert *et al.* (1995) found that there was a high level of satisfaction about the wages and the conditions of employment amongst the workers.
- Because of the knowledge of the farm's financial status workers felt that demands for wage increases could jeopardise their own investment in the long run.
- Benefits like improved housing and free transport are some of the reasons for workers' enthusiasm about being worker-shareholders.

- However, there are still problems concerning communication, especially in financial reporting and the inability to influence financial and operational decisions. Only in one scheme did workers believe that they could influence financial and operational decisions.
- In five schemes all worker-shareholders received training in the interpretation of financial statements. In three other schemes only the chairperson of the trustees received extensive training to enable him/her to report and interpret these statements.
- Worker-shareholders received training on a number of issues, such as identification of shareholders, shareholder rights and obligations, election and voting procedures, distribution of benefits, interpretation of financial statements, general business skills and life skills.
- In six of the schemes trustees stated that labour relations were excellent or good.
- There are female shareholders in 63 percent of the schemes, 50 percent are shareholders in their own names receiving special attention in some of the schemes. However, wage differences are still evident since men are earning higher salaries.
- Provisions for voluntary and involuntary exit were well defined in the shareholders' agreement. The entry and exit conditions were also detailed in the workers' trust deed.
- According to Knight *et al.* (2003), the manager(s) in a certain project encouraged semi-skilled workers to start a business with tractors purchased with loans, resulting in farmworkers hiring out tractors to the equity-sharing scheme, hence starting another business. In some cases management would introduce training courses which dealt with general life skills, such as family planning, budgeting, dealing with alcoholism and overcoming domestic violence. This training supplements basic training in technical, financial and leadership subjects associated with good governance.
- The SPP report in some cases identified workers' benefits such as reduced or low levels of conflict and improvement in labour relations.



- The gender distribution of men and women in the equity-sharing schemes in the Western Cape is fairly equal, with an ethnic composition consisting of a coloured majority and a Xhosa minority (Lastarria-Cornhiel, 2001).
- The micro-environment (or on-farm environment) has historically established respect between farmer and worker and has been favourable (Ngqangweni and Van Rooyen, 1995a).
- There has been political involvement in negotiations to establish acceptability of these schemes (Ngqangweni and Van Rooyen, 1995a).

### **3.4 Chapter summary**

The SPP conducted their research on several aspects, such as worker participation during the establishment of the scheme, beneficiaries' expectations, relations of power and skills transfer (between the worker-shareholders and the manager or original owner), labour relations, position of non-beneficiaries, gender relations, issues of tenure security and entry/exit aspects. It has been found that these schemes still face major problems.

The empowerment of farmworkers is hindered by many factors, ranging from the quality of management to personal attributes such as workers' entrenched pattern of patronage and dependency, which makes it harder for them to make meaningful contributions to managerial decisions. The lack of expertise also disables these workers in playing a role in the operations of the scheme.

These schemes, however, do make positive contributions towards the livelihoods of the beneficiaries, although the SPP's research has found that these are minimal. The SPP study only concentrated on the workers with minimal management comments. Therefore it does not present a holistic overview of all the role players involved in the schemes.

The studies conducted by Eckert *et al.* in 1995 and Knight and Lyne in 2001 showed contradicting results for the same equity-sharing schemes. Their studies found that seven out of eight schemes conducted in-depth workshops with prospective beneficiaries to select an appropriate legal entity, to define rules of their association and to discuss the project structure (Knight & Lyne, 2002).

The study by Knight and Lyne showed more positive results, although it included all the schemes investigated by the SPP as well as four other schemes. The differences in the findings could also be attributed to the scope of the research. Knight and Lyne included most of the role players in these schemes (but excluded worker-shareholders) rather than concentrating on a certain interest group in interviewing. They conclude that this form of participation will never satisfy everyone's view of land reform. And they acknowledge that there are still areas that need to be improved on to make these schemes favourable and appealing to the workers. Ngqangweni and Van Rooyen (1995a) add that there needs to be a certain socio-cultural or political base for the proposal of these schemes.

It would seem that these schemes also face institutional problems. Best institutional practices identified by Knight *et al.* (2003) suggest that equity-sharing schemes should be operated as companies with voting and benefit rights proportional to individual shareholdings and that companies must comply with legal requirements that promote financial transparency and accountability. There should be restrictions on certain share transactions to prevent free-riding problems by non-workers and the loss of creditworthiness through sudden outflows of equity and managerial expertise. Thus the ability of the farms to attract and retain experienced personnel and private financiers is one of the advantages realised by the implementation of equity-sharing schemes.

The ability of farmworkers to recognise that they are being empowered is usually compromised by entrenched patronage and dependency, expressed as poor participation in decision-making. In addition to this poor literacy of workers is a problem which seems to impede most meaningful contributions they could make to their scheme. The power possessed by the farmers is another contributing factor to the poor level of participation and transfer of skills.



## CHAPTER FOUR

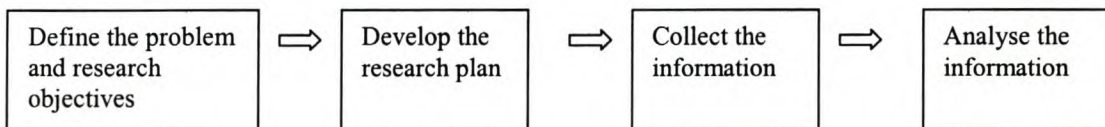
### RESEARCH METHOD, RESEARCH AREA AND DESCRIPTION OF FARMS

#### 4.1 Introduction

This chapter begins with a brief description of the research plan followed in this study. The implementation of the plan, collection of data and the data analysis are described. This is followed by a brief overview of the research area and a description of the surveyed farms.

#### 4.2 Developing the research plan

Kotler (1997) suggests four basic steps to be followed in research. These steps are represented in Figure 4.1.



**Figure 4.1: The research plan**

**Source: Kotler (1997)**

##### 4.2.1 Limitations of the study

The study was limited to the farmworker equity-sharing schemes administered by the Department of Land Affairs of the Worcester regional office. The decision was reached after the schemes administered by the Cape Town offices of the Department of Land Affairs were being evaluated these were the only two offices administering the schemes in the Western Cape.

This Worcester region included the magisterial districts of Ceres, Grabouw and some farms in Paarl. In total there were about nine equity-sharing schemes under the Worcester regional office. It was decided that the study would evaluate schemes that were in operation for at least two years. Some schemes were in the process of liquidation but met the necessary requirements and some were in the process of transition into worker-owned schemes.

In order to capture the perceptions of the role players in these schemes, they were included in this study. The financial evaluation of the schemes is limited to the financial statements received from the managers. Schemes that were less than two years in operation, undergoing liquidation and/or managerial transition could not provide any financial statements; hence, their financial statements could not be evaluated. Some of the schemes had their statements with forensic auditors.

#### 4.2.2 Sampling method and data collection

Five farms administered by the Worcester regional office of the DLA were included in this study. The office provided a list of farms that matched the desired criteria. Four farms were identified. A fifth farm was included because it had a totally different form of equity-sharing scheme. It was planned that these farms would be visited. However, two of these farms were liquidated and one farm underwent transition during the study process. This resulted in certain changes in the initial planning. Five farms were visited, evaluated and the results presented as case studies.

To obtain a desired sample of responses on each farm, random sampling was used. During the visits, personal interviews were conducted with all categories of farmworkers and the manager or original farm owner. The objectives of the study were presented and explained to respondents.<sup>16</sup> Thus the data collection process encouraged the participants to participate with informed consent. They were aware that their participation was voluntary and were not persuaded by any one to participate.

##### 4.2.2.1 Survey instrument

The study made use of structured questionnaires to collect the required data for evaluation. Four different questionnaires were developed and administered to the different categories of role players on the farms, namely the manager/former farm owner, the committee, shareholders and non-shareholders. (See Appendices A to D for the questionnaires).

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<sup>16</sup> Furlong *et al* (2000) argue that deception naturally violates the basic principle of informed consent because the participants do not know the true purpose of the experiment and perhaps not the true risks involved.



#### *4.2.2.2 Description of the survey instrument*

The four structured questionnaires had various questions focusing on the intended audience. The intension of the questionnaire was to gain the perceptions of all the different role players. Some questions focused on the establishment of the farmworker equity-sharing schemes and the respondents' feelings regarding the scheme. Other questions focused on the changes that have occurred on the farm since the implementation of the scheme and how those changes, education and housing issues were perceived. Lastly, there were questions focusing on the financial aspects of the farm. The questionnaire was focused on finding out whether these farmworker equity-sharing schemes improved the operational, social and economic conditions on the farm.

#### *4.2.2.3 Problems experienced during data collection*

Language differences played an important role in data collection. In some cases respondents requested explanation in their home languages, which was Afrikaans (to a greater extent) and Xhosa (to a lesser extent). This required an interviewer with a good understanding of the questionnaire and a working knowledge of the two languages. Other problems experienced during data collection included the unavailability of most workers due to the prevailing conditions on the farm at that moment, such as liquidation of the farm or workers busy working the fields. These circumstances made it hard for the researcher to follow the sampling method as in some instances the chosen participants weren't available. There were times when interviews could only be conducted during lunch time or in the fields in order to minimise the disruption of their work schedule.

#### *4.2.3 Data analysis*

Data was analysed using the SPSS (Statistical Package for Social Sciences) to run the frequency analysis of the variables. The Centre for Statistical Consultation of the University of Stellenbosch was consulted to assist in determining the procedures for data collection and the data was analysed with their assistance.



#### 4.2.3.1 *Financial performance measures*

The approach taken by this evaluation is that one cannot deduce from the financial statements alone whether a project is going to be successful or not. The main purpose of this section is to outline the various techniques used to measure a business's financial performance and the precautions needed in the process of choosing a more suitable technique to measure the desired performance. Certain precautions need to be taken in order to achieve the desired goal of this exercise. A company's financial statements are documents showing the monetary operations of a company. Farm Financial Standards Council (2003), point out that these statements are the quantifications of reality in financial terms. Since farm records alone are not enough to evaluate a farm's financial status or to enable a diagnostic analysis, supplementary information such as the industry norms or standards of the business enterprise is necessary to compare the performance of the farm enterprise with. Harsh *et al* (1981), state that, the performance of a farm would be judged against a corresponding norm or standard to determine the disparity between the performance indicator of the farm and that of the norm.

Financial analysis of an agricultural business must focus on both its present position (called 'financial position')<sup>17</sup> and the results of operations and past financial decisions (called 'financial performance')<sup>18</sup> (Farm Financial Standards Council, 2003).

Financial performance measures vary across different types of farms. When farm records can be used to quickly analyse prevailing conditions and reach decisions, these records are powerful tools to use in enhancement of farm profitability. Detailed and accurate information is a necessary component of the farm manager's decision-making process. For this reason good farm records are the foundation of good farm management.

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<sup>17</sup> This refers to the total resources controlled by a business and total claims against those resources, at a single specific point in time. Measures of financial position provide an indication of the capacity of the business to withstand risk from future farming operations and provide a benchmark against which to measure the results of future business decisions.

<sup>18</sup> According to the Harvard Business Review (1998), financial performance measures indicate whether the company's strategy, implementation and execution are contributing to bottom-line improvement. Measures of financial performance include the impact of external forces that are beyond anyone's control (drought, grain embargoes, etc.) and the results of operating and financial decisions made in the ordinary course of the business. Hence typical financial goals have to do with profitability, growth and shareholder value.



#### 4.2.3.2 Primary tools for financial statement analysis

Harvard Business Review (1998), highlights that, there are various techniques available to the analyst for measuring financial statements. The more common analytical techniques include:

##### (1) Comparative financial statements and trend analysis

According to Barry *et al* (2000), this analysis is merely a representation of two or more years of accounting statements. Comparative analysis is also known as ‘trend analysis’ as it presents a trend observed over a number of years, allowing a comparison of one farm to a similar one or to a norm or goal.

##### (2) Index-number analysis

Index-number analysis differs from comparative analysis in that successive years are compared against a chosen base year, which is expressed as 100 percent (Samuels *et al*, 1990).

##### (3) Common size analysis

This analysis uses an indexing procedure. In common size analysis, each item on a financial statement is represented relative to a total value for a category of similar items (Barry *et al*, 2000).

##### (4) Specific financial performance measures and ratio analysis

Financial ratios are an indication of the financial strength of a company. A ratio is not particularly useful on its own; it has to be compared with something else, such as a target or a norm (Samuels *et al*, 1990). Ratios could be used to analyse the solvency, liquidity, profitability, efficiency and net worth or owner’s equity of a business. Ratios, mathematically express as fractions, decimals or percentages, rate one item or group of items in relation to another item or group of items. Kay (1981) adds that ratio analysis is used because it provides a standard unit of measurement and permit comparison over time and between firms of different sizes.

According to Bloom (2001), the primary information provided by financial ratios is useful for analysing the business’s financial performance and evaluating management effectiveness, operational efficiency, productivity levels and the efficient use of

capital. The information from financial ratios could also be used to determine future profitability levels, earnings and cash flow potential of the enterprise.

#### 4.2.3.3 *Specific financial performance measures*

According to the Farm Financial Standards Council (FFSC) there are five broad categories in which financial measures could be grouped. These are profitability, liquidity, solvency and financial efficiency. These financial measures measure either the financial position or the financial performance of a business, and should be meaningful and manageable (Barry *et al.*, 2000). Harsh *et al.* (1981) write that there are differing opinions on which records are necessary to carry out a business analysis. There was consensus among the members of the FFSC that the minimum set of financial statements required for financial analysis should include the following: balance sheet, income statement, statement of cash flows and statement of owner equity.

#### 1. Profitability measures

The profitability of a farm business can be measured in a number of ways. According to Van Zyl *et al* (1999), profitability is the percentage difference between the profit earned in a given period and the capital used to realise that profit. This measure provides an easier comparative analysis tool to compare farms with regard to their profitability status, such as income in relation to investment. The widely used profitability measures include net farm income (NFI) per R100 invested, rate of return on farm assets (ROA), rate of return on farm equity (ROE) and operating profit margin ratio. The three ratios mostly used to measure profitability are discussed below.

##### 1(a) Rate of return on farm assets (ROA)

ROA = Return on assets / Value of total assets

##### 1(b) Rate of return on farm equity (ROE)



$$\text{ROE} = \frac{\text{Total returns to equity capital invested in the farm business}}{\text{Farm business net worth}}$$

1(c) Net Farm Income (NFI) per R100 capital investment

$$\text{NFI per R100 capital investment} = \frac{\text{Net farm income}}{\text{Average capital investment}} \times 100$$

## 2. Liquidity measures

Liquidity measures measure the ability of the business to generate cash needed to meet cash obligations without seriously disrupting the production activities of the business. Ellinger and Barry (1996) writes that although the farm business may be operating at a profit and have a favourable net worth it could experience financial problems if it cannot satisfy the financial claims against it as they fall due. They further add that one could project the farm business's liquidity position by accurately projecting the time pattern of cash outflow relative to the cash inflow. Penson and Lins (1980) add that one of the best ways to measure the farm business's liquidity position is by examining his/her cash flow statements. They further add that these statements are often not available.

2(a) Current asset ratio (Current asset to current liabilities)

$$\text{Current asset ratio} = \frac{\text{Current assets}}{\text{Current liabilities}}$$

2(b) Acid test ratio

$$\text{Acid test ratio} = \frac{\text{Current assets} - \text{Stocks and supplies}}{\text{Current liabilities}}$$

2(c) Intermediate ratio

$$\text{Intermediate ratio} = \frac{\text{Total current assets} + \text{Medium-term assets}}{\text{Total current liabilities} + \text{Medium-term liabilities}}$$

### 3. Solvency measures

Solvency measures measure whether the total assets are greater than total liabilities; if they are not, the business is insolvent or technically bankrupt. Solvency deals with the ability of the business to meet long-run claims. The farm business will be insolvent if the sale of all assets fails to generate sufficient cash to pay off all liabilities. The main focus of the measures of solvency is to look at whether the farm business is making financial progress or not, and, more importantly, to reflect whether it is following a projected schedule for generating new funds, making capital expenditures, repaying debt and whether the business grows or not (Ellinger & Barry, 1996).

There are various ways to measure solvency. It could be computed from data received from the balance sheet (Penson & Lins, 1980). According to Van Zyl *et al* (1999), there are generally four methods most used to measure solvency.

#### 3(a) Net capital ratio

Net capital ratio = Total assets / Total liabilities

#### 3(b) Leverage ratio

Leverage ratio = Total liabilities / Net worth

### 4. Financial efficiency measures

Penson and Lins (2000) describe efficiency ratios as measures to evaluate the degree to which the farm operator uses the resources at his disposal to achieve a desired goal without wasting any resources and/or efforts. Kay (1981) discusses the following ratios used in analysing important factors used to determine the financial progress of a farm business.

#### 4(a) Turnover ratio

Turnover ratio = Gross farm income / Total farm business assets owned and rented

#### 4(b) Expense structure ratio

Expense structure ratio = Fixed cash expenses / Total cash expenses



#### 4(c) Gross ratio

Gross ratio = Total expenses / Gross farm income

### 4.3 Overview of the study area

Agriculture, with its economically and socially significant role, forms an important pillar of the Western Cape economy. According to Vink (2003), the sector's contribution to the Western Cape does not merely end in economic objectives, but also in social and political objectives. In 2002's agricultural review, agriculture's contribution to the gross domestic product (GDP) was about 5.9 percent and it contributed to 9.0 percent of employment. The province produces more than 20 percent of the total agricultural production of South Africa and the sector is growing at a rate of five percent every year, accounting for 50 to 60 percent of South Africa's exports. This growth is accompanied by a three percent annual growth in employment (Department of Agriculture, 2004).

Currently there are about 8 500 commercial farmers in the province, 2 500 beginner farmers and 220 000 farmworkers supporting about 1.5 million dependents. A unskilled male dominated labour force with a relatively meagre education characterises the lower level labour force found on farms. The agricultural sector accounts for 13 percent of the formal job opportunities in the province (Department of Agriculture, 2004). Until the minimum wage regulations were introduced farmworkers received wages as little as R174 to R360 per month (Wesso, 1996). It is estimated that about 19 percent of households are living in poverty (WESGRO, 2002).

Government, assisted by a number of interested organisations, has implemented various programmes of land reform. These programmes include small farm-dependent production schemes, sharecropping, inter-cropping and equity-sharing schemes. Other existing options of tenure security that could be implemented is being debated (Wesso, 1996). Initiatives such as farmworker training workshops are being conducted around the province to assist the transformation of farmworkers into small scale and future commercial farmers. Most importantly redistribution should not compromise production over the long run. Initially the Western Cape Province had about 17 380 hectares of state-owned land for distribution through the LRAD



programme. In 2003 about 3 507,6 hectares had been allocated to 16 agricultural projects in the province (Department of Agriculture, 2001).

#### 4.4 Overview of the farms

This section provides an overview of the farms included in this study. The names of the farms are withheld as it was agreed with them that their identity would be treated as confidential. The study utilised the information received from the business plans that the farms submitted to the DLA. One farm was now totally financed by a commercial bank hence there was no business plan available but the previous farmworker equity-sharing scheme on that farm was financed by the DLA.

##### 4.4.1 Farmworker numbers from the surveyed farms

The farms included in the survey varied considerably with respect to the following: the total number of farmworkers, composition of shareholders and their financial sustainability. Two of these farms, Farm A and Farm C, were undergoing liquidation, resulting in a lack of working vigour among farmworkers and thus affecting their presence and availability on the farm. Farm C was undergoing a change in ownership in that farmworkers wanted total ownership of the farm after the failure of the previous farmworker equity-sharing scheme. Farm D was liquidated during the course of this study but was included in this study. Therefore the responses received varied in accordance to the situation on the farm.

**Table 4.1: Respondents' representation from the case studies**

Farm	Committee		Shareholders		Non-shareholders		Total interviews
	Total	Interviewed	Total*	Interviewed	Total	Interviewed	
A	10	2	23	8	2	2	12
B	3	2	147	4	0	0	6
C	4	3	42	7	0	0	10
D	12	4	244	9	19	0	13
E	17	6	932	13	0	0	19
<b>Total</b>		<b>17</b>		<b>41</b>		<b>2</b>	<b>60</b>

\*The total number of the shareholders on each farm includes committee members.



Because of the liquidation process the number of the committee members and shareholder workers on Farm A was less than the initial number.<sup>19</sup> Farm B had shareholder workers who are working on other farms and only 10 shareholder workers worked on the farm included in the equity-sharing scheme. There are 19 non-shareholders working on Farm D but all of these workers were not permanently employed on the farm hence their availability for interviews was not easy.

#### 4.4.2 Description of Farm A

The farm is situated in the Ceres area. In 2001, the sole owner of the farm established a farmworker equity-sharing scheme on the farm. The initial idea was to cultivate and pack fresh fruit such as plums, apples, pears and peaches. The fruit were exported to the Netherlands and sold to local retail stores. Employees of two adjacent farms purchased 1/3 of the shares in a fruit drying and packaging company. Three farms from the area were involved on the farmworker equity-sharing scheme. This scheme was later liquidated in year 2000.

In 2002 about 154 farmworkers received about R18 000 each to buy shares in the farm. Shareholders later elected a board of directors. At the time of the study only four out of 19 present beneficiaries at the time were female as the number had declined. Working capital was received from a private banking institution. The company started out as a private company but changed into a public company a few months later. Farmworkers had a 100 percent share on the farm. A change in ownership occurred after the workers of the farm in which they were shareholders before bought shares when a previous scheme (fruit and drying company) liquidated. However, during the visit the farm was being liquidated which meant that the second scheme on the farm had failed.

##### 4.4.2.1 Management

There are five managers sitting on the board of directors, elected by other shareholders. The following portfolios existed: Finance and Administration, Production, Dry Fruit and Production, Quality Assurance and Tunnels Manager.

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<sup>19</sup> Of the 23 members the manager could not give an indication of the exact number still available that day.

During the visit only two managers were working. Farmworkers' shares are organised in a trust and the management of the shares is in the hands of elected trustees.

#### 4.4.2.2 *Land use*

The total farm size included in the farmworker equity-sharing scheme is 1235 ha. This size includes two other adjacent farms included on the scheme with a non functional fruit packing and drying facility situated on one of the farms. Of the total 100 ha is cultivated land, 52 ha of cultivated dryland, 20 ha of farm yard and waste land and the rest of the land is land in the other farm that was no longer used. The farm produced pears as their main enterprise with peaches / nectarines, apricots, prunes and tomatoes.

#### 4.4.3 Description of Farm B

Farm B is situated in the Grabouw area. The farmworker equity-sharing scheme on this farm was established during the time when the grant was allocated to households instead of individual applicants. Farmworker households living and/or working on two estates established this scheme in 1996. In essence the scheme involves the provision of land by two parties, namely one of the estates and government, for a fruit and wine scheme. This was done to allow beneficiaries to acquire equity as well as security of tenure. The one estate had 71 households, of which 43.6 percent (31) were female-headed households, while the other estate had 76 households, of which 22.4 percent (17) were female-headed households. The number of farmworkers listed as being involved in the project as beneficiaries were 199. However, there are only 10 beneficiaries who actually work in the actual project. The project changed its initial name after it had launched its own wine label.

Farmworker households from both estates received the R15 000 grant from the DLA.<sup>20</sup> The scheme is one of the first farmworker equity-sharing schemes in South Africa following the Whitehall farmworker equity-sharing scheme. The scheme has matured and evolved over the past few years. Initially this was a three-way joint

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<sup>20</sup> This grant was previously known as SLAG and then modified into LRAD.



venture between the community, the government and the estate but later the government was playing a smaller role as 'silent partner'.

Women participated in the scheme not only as members of a household but also as individuals in the community with certain programmes aimed at improving women's position on the estates. Various other institutions were involved with various interventions, such as developing constitutions and helping with elections.

#### *4.4.3.1 Management*

According to the business plan, skills empowerment was the scheme's central theme. This allows high level of self-management and participative management structures with pro-active training. Parties are involved only to provide strategic management. Two parties play a role in the strategic management, namely representatives from one of the estates and the community trust.

#### *4.4.3.2 Land use*

The farm area covers about 180 ha which was secured through two 30-year leases to the estate. This arrangement was later to be converted to the operating company. Irrigation and soil studies were conducted on the land and the orchard design and cultivar selection was done on the basis of advice from a deciduous fruit specialist.

#### *4.4.4 Description of Farm C*

This farm also is situated in the Grabouw area. During the visit the farm was undergoing liquidation from a previous farmworker equity-sharing scheme. Farmworkers bought the farm after it was liquidated and now they have total ownership of the farm. With the help of a consultant the farmworkers applied for a loan from a commercial bank to buy the farm. About 43 farmworkers, who were workers on the previous farm in which they were shareholders, established this scheme. About 35 men and eight women on the farm are shareholders. Shareholding was open to all workers on the farm.

#### *4.4.4.1 Management*

Farmworkers are organised in a trust and the farm is operated as a company. The trust is responsible for running the shares of the farmworkers and the company runs the farm, with the sole responsibility of making profits and practising all business principles. Three managers elected by other shareholders are responsible for the operation of the company. These managers hold the following portfolios: Finance and Administration, Production, and Human Resources.

#### *4.4.4.2 Land use*

Of the 312 ha total farm land included in the farmworker equity-sharing scheme about 140 ha is cultivated land, 132 ha of farm yard and waste land and 40 ha is veld land. The farm produces fruits, mostly apples, pears and peaches. However, one of the challenges facing the farm is the age of the trees as the farmworkers bought a farm that had been in existence for a period of time. However, the farm has a variety of deciduous fruit trees, mostly apples.

#### *4.4.5 Description of Farm D*

The farm, situated in the Paarl district, produces organic table grapes. A total of 244 farmworkers from four farms applied for government grants from the LRAD programme to purchase equity in four farms in the area. The fourth farm was to be rented from a family trust which was going to be involved in the scheme as a shareholder as these were their farmworkers. The farms are valued at approximately R15.5 million and the equipment at approximately R2 million.

In addition to the LRAD grants farmworkers applied for a loan from a commercial bank as their own contribution (one of the stipulated conditions of the LRAD programme). The grants plus the loans of about R20 500 per person, with their 'sweat equity' valued at R5 000 per person, was going to assist farmworkers to purchase the equity. Farmworkers were the majority shareholders in the farms as their shares were approximately 70 percent.

According to the business plan, all the applicants fitted the profile of intended beneficiaries in terms of the LRAD programme. All the applicants are said to be permanently employed farmworkers and will all participate actively in the operation



of the project. A total of 171 applicants (68%) are said to be females, which means they form the majority of shareholders. In order to ensure representation at decision-making level, the draft trust deed provides that at least four of the nine trustees on the farmworkers' trust must be female.

The four farms have about 280 permanent employees with the rest of other shareholder workers being part-time workers. The offer of equity was extended to all permanent employees, of whom 30 declined to take up equity. There is therefore a high level of participation in the project and no disruptive tension between participants and non-participants.

A series of workshops were held with all beneficiaries, after which a steering committee was elected. The legal and institutional arrangements, finances and project structure were discussed in depth in workshops with the all the workers.

The farm is subject to the provisions of the Empowerment Equity Act and a formal empowerment equity plan that was lodged with the Department of Labour. This project is included as the prime empowerment vehicle in terms of the Empowerment Equity Plan.

#### *4.4.5.1 Management*

The workers' trust holds 70 percent of the company shares and the company is a duly incorporated private company in terms of the Companies Act. Beneficiaries may trade their participation units among each other but they may not ask the trust to liquidate their investment (e.g. sell their shares on their behalf) for a period of five years. Should the shareholders in the trust wish to sell their shares they have to offer them to the trust or the company first. For the first three years, neither shareholder may sell their shares to either the company or outsiders. This is envisaged to ensure the stability of the project and allow training programmes, which emphasise long-term investment strategies to be internalised. Voting rights are commensurate with shareholding but a number of decisions require consensus.

#### *4.4.5.2 Land use*

The farmworker equity-sharing scheme on farm is made up of farmworkers from four adjacent farms. The only information available about the land use on the farm was



that the main farm from which the farmworker equity-sharing scheme was produced organic table grapes.

Housing on the farms is scarce and most workers have their own off-farm accommodation but are provided with free daily transport to the farms. There is therefore no security of tenure issues. The farm to be leased to the company will include vines, an office complex, packhouse and cold storage facilities. The amount is equal to the finance repayment for the cold storage facilities. Many of the table grapes cultivars are young.

#### 4.4.6 Description of Farm E

Farm E is situated in Ceres, where farmworkers have a share in a company that owns a controlled atmosphere cold storage facility. Farmworkers from eight farms under the estate management are included on this farmworker equity-sharing scheme. About 932 farmworkers applied for the LRAD grants to invest in this facility. Female representation among the beneficiaries is 53 percent and retired persons five percent.

The fact that the enterprise holds low risk, substantial shareholding, visibility, profitability, simplicity and is demand driven motivated the decision to invest in a cold storage facility. This decision was reached after a number of internal consultations. Because this was a different farmworker equity-sharing scheme for the DLA, certain clauses were imposed to qualify the application for grants.

##### *4.4.6.1 Management*

Shareholders are responsible for electing the directors of the company, namely the worker's trust and the management group. A specialised appointed manager is responsible for the day-to-day management of the facility while the management group is contracted to render support services such as financial, personnel and other administrative functions. This was done to minimise costs. The company owns the land and the facility. The worker's trust (with 11 trustees)<sup>21</sup> handles the worker's investments. According to the business plan, no shareholders are entitled to sell their shares for a period of five years.

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<sup>21</sup> The largest estates have two trustees each (one must be female), while smaller estates have one trustee each (with no gender specifications).



Only the trust may 'buy out' one of the beneficiaries and no tradability to each other or to the outsiders is allowed in order to avoid a proliferation of beneficiaries. To have funds that allow exit, trustees are can uphold up to two thirds of income to be placed into a reserve fund. For security of tenure, beneficiaries are not allowed to withdraw (or liquidate) their investments in cash; the trust should rather buy land or housing for the employees. Future estate workers may apply to become beneficiaries after they have worked for two years.

#### *4.4.6.2 Farm land / Facility use*

As one of the stipulations of the requirements by the DLA, at least 50 percent of the fruit stored had to be produced on one of the estates and the land on which the facility was to be constructed had to be zoned as agricultural.

### **4.5 Chapter summary**

The chapter described the parameters under which the study would be performed, the instruments to be used thereof and the analysis of data. Some of the challenges faced during data collection hindered the availability and the use of the described analysis instruments. An overview of the area under which the schemes operated and an overview of the farms introduced the reader to the evaluation and analysis of the farms. The evaluation and analysis of the data collected is dealt with in the following chapter.

## **CHAPTER FIVE**

### **EVALUATION AND ANALYSIS OF THE FARMS**

#### **5.1 Introduction**

The purpose of this chapter is to discuss the results of the survey for each case study. In this chapter a descriptive summary of the farms, and aspects of institutional arrangement and governance of the farms, the motivation behind the establishment of the equity-sharing schemes and socio-economic aspects will be discussed.

#### **5.2 Evaluation of Farm A**

##### **5.2.1 Descriptive summary of the Farm A**

During the visit the farm had just been liquidated from the first farmworker equity-sharing scheme which had been the previous farm owner. Farmworkers took total control of the farm and contracted a consultant to assist them in running the farm. The farm was visited in order to obtain the perceptions of all the role players regarding the scheme.

The Finance and Administration Manager, who was once a farmworker, was the interviewed manager. According to the manager, there were formal negotiations with worker representatives during the initiation of the farmworker equity-sharing scheme on the farm on 8 September 2001. Shareholders can trade off their shares after five years. However, the company has first option to buy, followed by other shareholders, and then outside buyers.

Number of years and permanency of work qualified workers to be shareholders. There were no workers who did not want to buy shares. Since the establishment of the scheme on the farm only one worker was retrenched during the 2001/2002 period and about eight permanent farmworkers resigned in the 2002/2003 period. The farm produces apples and pears.

##### **5.2.2 Institutional arrangements and governance of the farm**

Farmworkers have a 100 percent share in the farm. The scheme included all the land, fixed and moveable assets on the farm and was organised as a company. The scheme



was financed solely through the land grant. There were four farmworkers on the board of directors, holding the following portfolios: Finance and Administration Manager, Production Manager, Dry Fruit Production Manager and Quality Assurance Manager. All the respondents answered that they were not allowed to join any union.

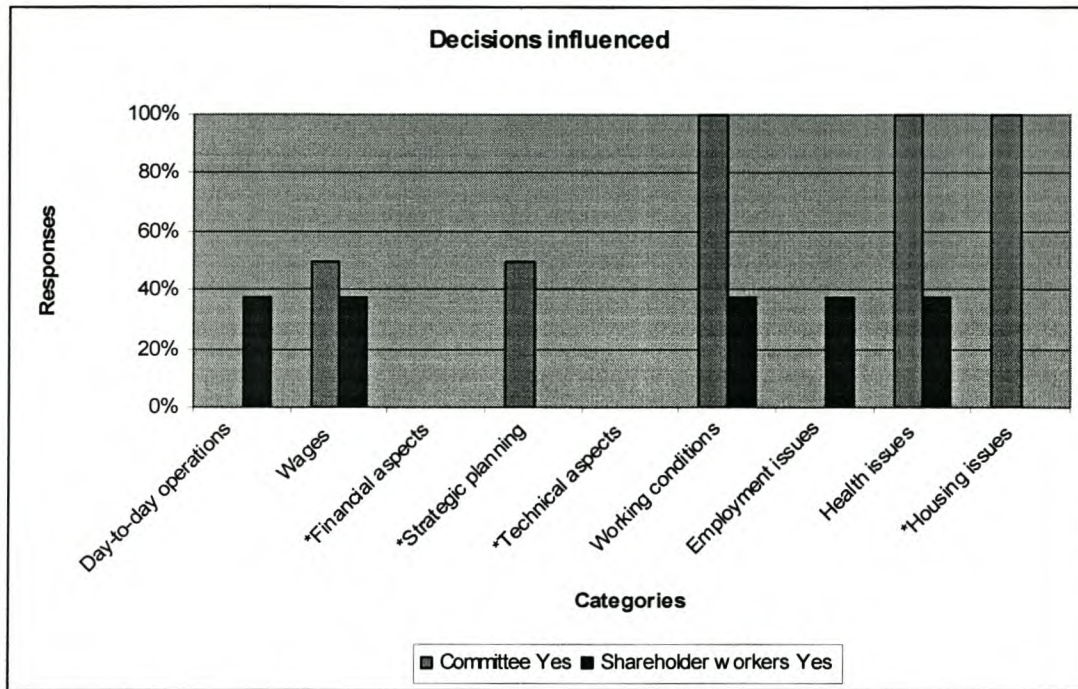
#### *5.2.2.1 Relations of power*

According to the manager, workers elected worker representatives. Only 38 percent of the shareholder workers were satisfied with the representatives; the other 62 percent were not. The main reason given for this non-satisfaction was the lack of consultation and feedback from the representatives. Other reasons were unfulfilled promises and the fact that representatives did not have power but the consultant did. One respondent said there was a lot of confusion amongst the leaders. Weekly meetings between committee members and other shareholder workers were held to examine workers' feelings about the scheme and how the scheme was managed.

#### *5.2.2.2 Beneficiaries' influence on decision making*

All Committee members agreed that they influenced working conditions, health issues and housing issues on the farm. While only 50 percent of them felt that they influenced wages and strategic planning on the farm. However, all of them agreed that they don't influence other issues on the farm. Shareholder workers on the other hand felt that they don't influence most of the decisions on the farm as more than 50 percent of them indicated that they don't influence the day-to-day operations, wages, working conditions, employment issues and health issues on the farm.

This shows that between the committee members and the shareholder workers their influence in decision making is minimal as all the interviewed committee members felt that they don't influence decisions such as the day-to-day operations of the farm.



\* These are the questions which were not asked to shareholder workers

**Figure 5.1: Decisions influenced on Farm A**

The manager highlighted that farmworkers influenced the operations of the farm in all aspects. Less than 40 percent shareholder workers indicated that they influenced most of the decisions on the farm. Both non-shareholder workers felt that they influenced all the decisions.

### 5.2.3 The establishment of the scheme

All committee members and the shareholder workers agreed that the establishment of the scheme was the manager's idea. However, the manager felt that this was the farmworkers' idea. All committee members and shareholder workers agreed that management communicated the establishment of the scheme to them. All respondents signed contracts to work on the farm.

#### 5.2.3.1 Motivation for the establishment of the scheme

The manager and committee members provided many reasons as motivation for establishing the scheme, as illustrated in Table 5.1. The manager alluded to the fact



that another motivation for establishing the scheme was to prove that empowerment could be achieved through farmworker equity-sharing schemes.

**Table 5.1: Motivation for establishment of the scheme on Farm A**

	Manager n=1	Committee n=2	Shareholder workers n=8
Reasons	Yes	Yes	Yes
Improve productivity	1	2	7
Improve workers' income	1	2	6
Improve workers' wealth	1	2	6
Improve job security	1	2	7
Improve relations	1	2	7
Improve worker loyalty	1	2	7
Empower workers	1	2	7

Only the shareholder workers differed as to the establishment of the scheme on the farm. The interviewed non-shareholders believed that the motivation was to improve security of employment, loyalty and empowerment. Only one indicated that another motivation was to improve productivity on the farm. To improve relations on the farm was chosen as the most important reason for the establishment of the farmworker equity scheme on the farm. The reason for this could be either that they were not briefed or included in the establishment process or the reasons were not properly communicated to them.

#### *5.2.3.2 Role players' motivation for joining the scheme*

The reasons most respondents choose for joining the scheme are illustrated in Table 5.2. It is clear that concern about security of employment was more important to shareholder workers than skills transfer. The manager and the committee members agreed that these motivations applied equally to them.

**Table 5.2: Respondents motivation for joining the scheme on Farm A**

	Manager n=1	Committee n=2	Shareholder workers n=8
Motivation to join	Yes	Yes	Yes
Security of employment	1	2	8
Increase in income	1	2	7
Increase in wealth	1	2	7
Retirement saving	1	2	7
Skills transfer	1	2	6

Sixty percent of the respondents on the farm had participated in an equity-sharing scheme before, although only half of the interviewed shareholder workers had never participated in an equity-sharing scheme before. The latter could have been employed after the liquidation of the previous scheme on the farm. However, despite the liquidation process, almost all the role players on the farm felt that they had made the right decision by joining the farmworker equity-sharing scheme. The non-shareholder workers pointed out that they would have loved to join the farmworker equity-sharing scheme on the farm but could not, as it was liquidating.

#### *5.2.3.3 Workers' expectations of the scheme*

About 50 percent of the committee members and the shareholder workers indicated that they had expectations from the scheme, and that management was aware of their expectations. Another 50 percent of the shareholder workers indicated that management was not aware of their expectations, as they did not communicate them to management. Those who had expectations believed that they will fulfil them while on the other hand half of them did not think so. Those who indicated that they felt it was not the right decision to join the scheme said that they expected a better future and that so far they never achieved anything from the scheme as it was being liquidated. Both non-shareholder workers did not have any expectations of the farmworker equity-sharing scheme on the farm.

#### *5.2.3.4 Role players' benefit from the scheme*

Only 25 percent of shareholder workers were aware of benefits for themselves, for the former farm owner and for other shareholder farmworkers. Committee members indicated that they weren't aware of any benefits for the former farm owner or other shareholder workers. Only one non-shareholder worker was aware of benefits for all beneficiaries (but not for himself). The other did not know of any benefits for all beneficiaries. Only one committee member knew of benefits for him. The manager was aware of benefits for himself and the shareholder workers but not for the former farm owner. Respondents intended to remain as shareholders on the farm for five years on average (minimum one year and maximum 10 years).



#### 5.2.4 Socio-economic aspects

This section presents findings on the responses received regarding social and economic aspects of the farm. Workers provided their perceptions of the changes that have occurred on the farm which were meant to improve their livelihoods and increase their attachment to the farm.

##### 5.2.4.1 Changes on the farm

Respondents were asked if the changes regarding various aspects were better, worse or if there were no changes at all. These results are presented in Table 5.3. The manager felt that all the aspects had changed for the better whereas the committee members felt that most aspects had changed for the worse or there was no change at all. However, they unanimously agreed on the changes in the following: food security (no change), authoritative power (no change), trust (worse), skills (better) and gender (no change).

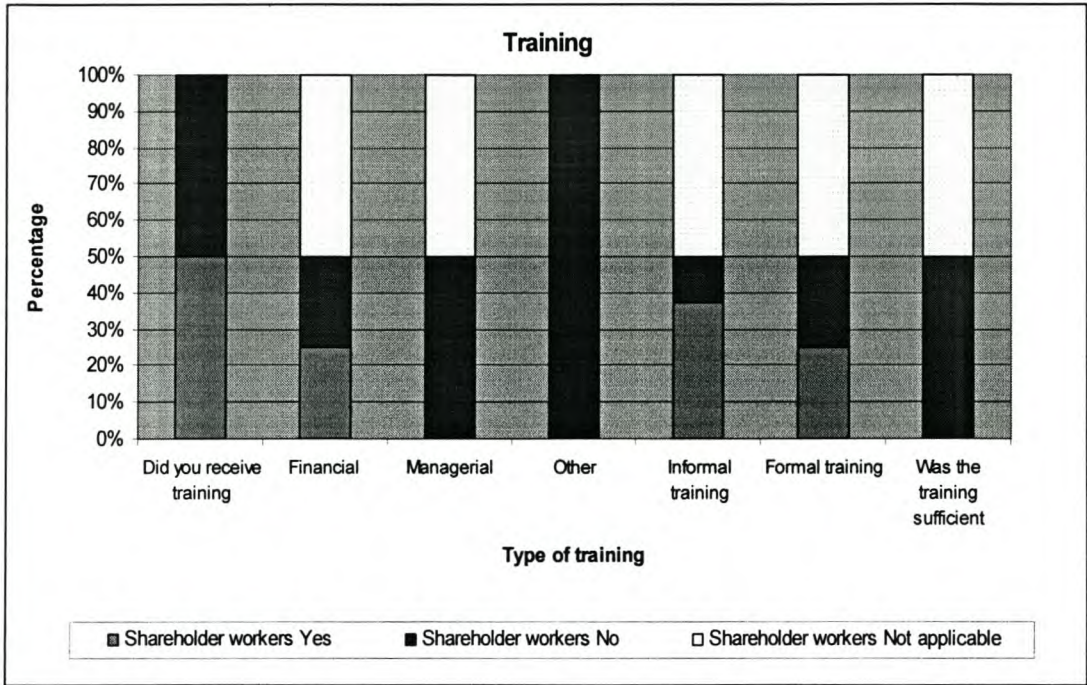
**Table 5.3: Shareholder workers' response to changes on Farm A (n=8)**

	<b>Don't know</b>	<b>Better</b>	<b>Worse</b>	<b>No change</b>
Health issues	1	2	1	4
Education	1	0	1	6
Housing	1	1	1	5
Working conditions	0	3	1	4
Food security	1	2	0	5
Authoritative power	1	0	1	6
Security of employment	0	0	4	4
Trust	0	0	3	5
Skills transfer	1	4	0	3
Gender treatment	0	2	0	6
Relations	0	0	0	0

Shareholder workers' responses seemed to differ significantly on the various aspects. Most of the respondents felt that there were no changes in most of the aspects. Only a few indicated that there were changes for the better. Nevertheless most respondents agreed that there was a positive change in their skills since the implementation of the scheme. As expected, the liquidation process threatened workers' security of employment, as 50 percent of them felt that there was either no change or a negative change. One non-shareholder worker did not know of any changes while another alleged that no changes have occurred in all aspects.

5.2.4.2 Training and skills transfer

The manager answered that all the workers received formal<sup>22</sup> training. The interviewed committee members replied that they received no training. Figure 5.2 illustrates the responses received from the shareholder workers.



**Figure 5.2: Farmworker shareholders’ responses regarding training received on Farm A**

Fifty percent of those who had received training did so in managerial aspects. However, these shareholder workers had received different training as can be seen from the above figure. In general these respondents had received both formal and informal training. About 25 percent had received financial training. More than 35 percent answered that the training they had received was informal. They all agreed that there had been no other training. Fifty percent of those who received training felt that it was inadequate. The scheme used training institutions close to them for training their workers.

<sup>22</sup> Formal training refers to training received or administered by an agent or training institution and not by any member of the farm staff. All respondents were made aware of this classification.



#### *5.2.4.3 Wages and dividends*

Regarding workers' income, there were no major differences in the responses. Most of the respondents stated that they received a weekly income. A few received a monthly income. Only the manager said that the workers received yearly bonuses, while the rest of the respondents did not agree. There were no performance bonuses and the scheme paid dividends in 2002 which were paid out in cash. According to the manager, the dividends were reinvested in the farm but the committee and shareholder workers disagreed.

#### *5.2.4.4 Absenteeism*

Due to inadequate record keeping it was difficult for the manager to answer on absenteeism on the farm since the establishment of the scheme. He speculated that there were few absentees and that workers looked more productive than before, which was also confirmed by the committee members.

#### *5.2.4.5 Gender relations*

All respondents agreed that there were no difference in the treatment of women and men doing the same work on the farm. Also there were no differences in wages.

#### *5.2.4.6 Education of farmworkers' children*

Respondents were asked if their school-aged children were attending school. The majority's children attended school on the farm while a few attended school in town. Free transport was provided for the children.

#### *5.2.4.7 Housing situation on the farm*

All the interviewed respondents as well as the manager indicated that they lived on the farm. Housing is part of a package in terms of which they stay in the house as long as they are working on the farm. The houses ranged from having two rooms to having seven rooms. All but one respondent agreed that the houses had electricity, sanitation and tap water, for which they did not pay.

All the respondents lived with their spouses and/or children. Only one did not live with a partner but with a child. The number of children ranged between one and three, with the average being two. No respondents were staying with their parents. The manager stated that no new houses had been built on the farm since the implementation of the scheme.

#### *5.2.4.8 Worker relations on the farm*

When asked about the relations on the farm, 100 percent of the committee members responded that their direct manager was approachable and that communication between them was good. About 75 percent of the shareholder workers felt that their direct manager was approachable while 25 percent felt that he was not. Both the committee members and the shareholder workers felt that they were given clear instructions for work to be done.

#### *5.2.4.9 Health issues on the farm*

A health service is provided by the Department of Health by means of a mobile clinic which visits the farm once a month.

#### *5.2.5 Other aspects of the farm*

**Specific working conditions:** Only one shareholder worker did work that was detrimental to his health. The worker received protective gear to cover himself when working. Thirty eight percent of the shareholders indicated that there were no restrooms in the fields where they worked.

#### **Comments:**

**Negative** – All the respondents had negative comments about the scheme with only one shareholder worker and one committee worker who did not have positive comments. All concerned parties indicated that there was no communication between management (including the contracted consultant) and the workers and that the consultant used the profits to buy a neighbouring farm without consulting the shareholders. The manager added that despite the fact that he was a financial and administration manager he was not allowed to use or see the farm statements.



**Positive** – The farmworkers felt privileged to be given a chance to run the farm on their own and believe that they can make a difference and make the equity-sharing scheme work. All the respondents highlighted that they felt more skilled than before.

### **5.3 Evaluation of Farm B**

#### **5.3.1 Descriptive summary of the farm**

Farmworkers have a 42 percent share in the farm, while the other shares are held by other parties. The manager indicated that there had been formal negotiations between the former farm owner and the farmworkers on the farm before initiating the scheme. She further stressed that farmworkers had been represented in those negotiations. The scheme was started in 1996 with finance from the farm owner's capital, farmworkers' capital, a commercial bank and another financier. During the initiation no farmworkers refused to buy shares on the farm. These shares are tradable under the condition that first option is given to other shareholders and shareholders cannot leave before a five-year period. If a shareholder wants to leave before five years s/he first has to get a house (to ensure that workers have housing security). Shareholders had to have a number of service years, be a certain age and have work permanency to qualify as a shareholder. There were 147 shareholders in the scheme but most of these shareholders were not working on the farm that was part of the farmworker equity-sharing scheme. Only two permanent farmworkers were retrenched in the 2000/2001 period and none after that.

#### **5.3.2 Institutional arrangements and governance of the farm**

The former farm owner, who operates a neighbouring farm in the area, holds 18 percent of the shares, farmworkers 42 percent and a third party shareholder 40 percent. The farmworkers' shares are organised in a trust. All the parties involved on the farmworker equity-share scheme on the farm are represented on the board of trustees. Farmworkers are represented by four farmworkers on the board of trustees on the farm.

5.3.2.1 Relations of power

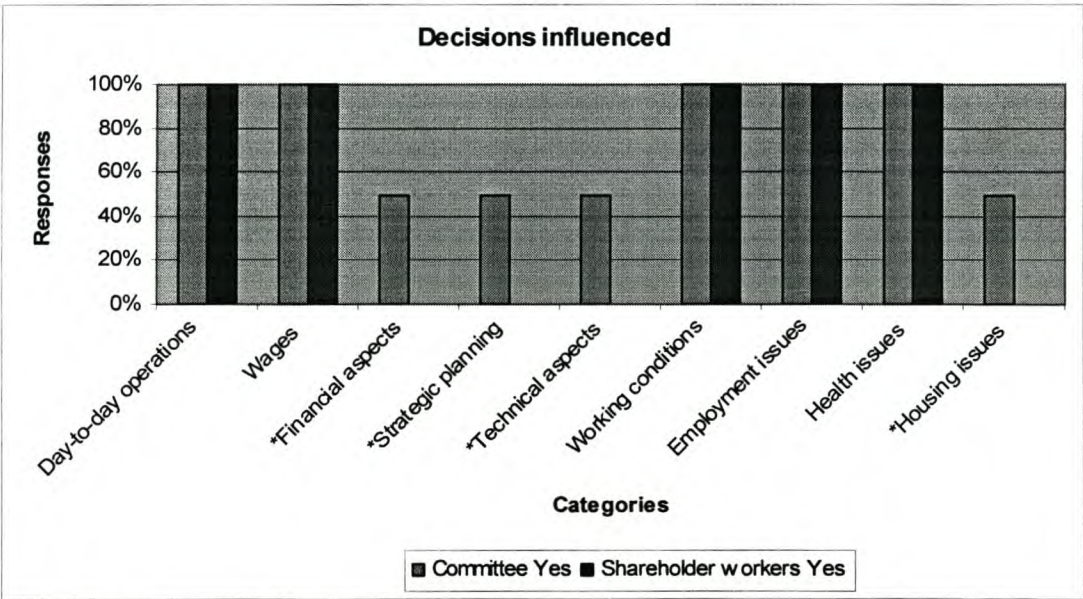
Worker representatives (two male and one female) take issues arising from farmworkers to management. These representatives are chosen by other farmworkers. Only one shareholder worker was not satisfied with the representatives because they don't report back. All shareholder workers indicated that they make suggestions to management. Only two of them felt that their suggestions are accepted. Again only one shareholder worker felt that management does not respond to their suggestions.

Representatives said that they meet every month in order to discuss opinions from other workers. The meetings include discussion on how the farm should be managed.

All respondents indicated that they were not allowed to join any union.

5.3.2.2 Beneficiaries' influence on decision making

Figure 5.3 indicates that committee members felt that they influenced most of the general decisions that shareholder workers influenced on the farm. However, their opinions differ. One committee member was uncertain if they could influence those decisions. The manager, however, stated that workers influenced the following decisions: day-to-day operation of the farm, wages, working conditions on the farm, health issues and housing issues.



\* These are the questions which were not asked to shareholder workers

Figure 5.3: Influence on decision making on Farm B



### 5.3.3 The establishment of the scheme

All respondents indicated that the idea to start an equity-sharing scheme on the farm was the manager's. All the respondents said that the manager communicated the idea to them. Respondents indicated that they signed a contract to work on the farm.

#### 5.3.3.1 Motivation for the establishment of the scheme

The manager, committee members and the shareholder workers agreed unanimously about the motivation for the establishment of the scheme on this farm (see Table 5.4). Committee members and shareholder workers were of the opinion that improving workers' income and wealth and empowering workers were the most important reasons for establishing the scheme. The manager indicated that property ownership was the most important motivation for establishing the scheme.

**Table 5.4: Motivation for establishment of the scheme on Farm B**

	Manager n=1	Committee n=2	Shareholder workers n=4
Reasons	Yes	Yes	Yes
Improve productivity	1	2	4
Improve workers' income	1	2	4
Improve workers' wealth	1	2	4
Improve job security	1	2	4
Improve relations	1	2	4
Improve worker loyalty	1	2	4
Empower workers	1	2	4

#### 5.3.3.2 Role players' motivation for joining the scheme

None of the respondents disagreed with the options given. All the reasons indicated in Table 5.5 motivated the respondents to join this equity-sharing scheme.

**Table 5.5: Respondents' motivation for joining the scheme on Farm B**

	Manager n=1	Committee n=2	Shareholder workers n=4
Motivation to join	Yes	Yes	Yes
Security of employment	1	2	4
Increase in income	1	2	4
Increase in wealth	1	2	4
Retirement saving	1	2	4
Skills transfer	1	2	4

The committee as well as shareholder workers had prior experience with equity-sharing schemes as all indicated that they had participated in an equity-sharing scheme before. They all believe that they made the right decision to join the scheme on this farm. Respondents were enthusiastic about the scheme and they felt it was an honour or an advantage to be part of the scheme. Some indicated that there was progress in the scheme as they received better positions and benefits such as medical benefits, which never existed before.

#### *5.3.3.3 Workers' expectations of the scheme*

The respondents had expectations of the scheme and all indicated that management was aware of their expectations. Committee members, shareholder workers and the manager believed that their expectations would be fulfilled. Their belief stemmed from the fact that they felt they were part of a successful business and they felt that their children had a better future.

#### *5.3.3.4 Role players' benefit from the scheme*

Only one shareholder worker did not know of any benefits for himself, while two shareholder workers did not know of any benefits for the former owner. Three of the four shareholder workers knew of benefits for other shareholder workers. On the other hand, committee members felt that there was no former farm owner; hence there couldn't be any benefits for him. Neither knew of any benefits for themselves.

### **5.3.4 Socio-economic aspects**

#### *5.3.4.1 Changes on the farm*

Table 5.6 indicates that for most of the issues shareholder workers were uncertain or felt that changes were for the better. Only on a few issues did one shareholder worker feel that there were no changes. Interestingly no shareholder worker felt that there was a change for the worse in any of the issues. Both committee members felt that they did not know of any changes on the farm since the implementation of the scheme. The manager identified several issues that did not change on the farm since the implementation of the scheme. These were issues regarding health, education,



housing and trust. From the manager's point of view all other issues changed for the better.

**Table 5.6: Shareholder workers' response to changes on Farm B (n=4)**

	<b>Don't know</b>	<b>Better</b>	<b>Worse</b>	<b>No change</b>
Health issues	2	2	0	0
Education	2	2	0	0
Housing	2	1	0	1
Working conditions	2	2	0	0
Food security	2	2	0	0
Authoritative power	2	1	0	1
Security of employment	2	2	0	0
Trust	2	1	0	1
Skills transfer	2	2	0	0
Gender treatment	2	0	0	2
Relations	2	2	0	0

#### *5.3.4.2 Training and skills transfer*

Only one of the interviewed committee members had received training. This training was on financial aspects and not on other managerial aspects. However, the respondent believes that this formal training was enough for her to understand the operations of the scheme. Only one shareholder worker received informal training on financial and other managerial aspects. The respondent felt that the training was sufficient to understand the operations of the scheme. The other shareholder workers interviewed had not received any training at all. However, the manager stated that all respondents had received formal training on the managerial aspects of the scheme and that the training was sufficient for the shareholders to understand the operations of the scheme.

#### *5.3.4.3 Wages and dividends*

According to the committee members and the shareholder workers, workers received monthly wages with yearly bonuses but no performance bonuses or any other benefits. However, the manager highlighted that workers received weekly wages (This could have been the case with other workers that were not interviewed). The farm has not yet paid any dividends. The reason provided by the manager was that they were waiting to see what will happen with the profits but were ready to pay in a

week's time. Respondents did not know why the dividends had not been paid. Some felt that there was a need to let the business grow first and pay off the debt.

#### *5.3.4.4 Absenteeism*

Absenteeism has been constant between 2001 and 2003. Twelve farmworkers and one foreman have been recorded absent during this period. Committee members believed that farmworkers were more productive now than before the implementation of the scheme.

#### *5.3.4.5 Gender relations*

There was no different treatment with respect to gender on the farm. No difference in wages for male and female workers doing the same kind of work was experienced.

#### *5.3.4.6 Education of farmworkers' children*

Only two shareholder workers had children attending school. Both committee members had school-aged children attending school. Most of the children attended school in town; one committee member had a child attending school on the farm. The latter indicated that the school was nearby so no transport to school was provided. Only one respondent indicated that the child attending school in town was provided with free transport.

#### *5.3.4.7 Housing situation on the farm*

All the respondents as well as the manager lived on the farm. The biggest house had nine rooms and the smallest had five rooms; on average the houses had six rooms. Respondents seemed to live in these houses on different terms. All committee members and most shareholder workers indicated that these houses have been leased to them, while only one shareholder worker indicated that it was a farmhouse (i.e. community house). According to the manager, his house was part of the remuneration. All the houses had electricity, sanitation and tap water. Respondents only paid for electricity and not for sanitation and tap water.



Only one shareholder worker did not live with someone. Other respondents lived with spouses, parents and children. On average the family size comprised of two people per house.

#### *5.3.4.8 Worker relations on the farm*

There was consensus amongst the shareholders about the approachability of their direct managers. Committee members were divided about how approachable their direct managers were. However, all respondents felt that they were given clear instructions for their work.

#### *5.3.4.9 Health issues on the farm*

Health services were provided on the farm as a nurse visited the farm once a month.

#### *5.3.5 Other aspects of the farm*

##### **Specific working conditions:**

According to the manager, workers were not doing any work that was detrimental to their health. According to the shareholder workers, however, one did work detrimental to his health but protective gear was provided. Neither of the committee members do any work detrimental to their health. All respondents indicated that there were restrooms in the fields where they work.

##### **Comments:**

**Negative** – It is a cause for concern that the majority of shareholder workers felt that there was poor communication and feedback on the progress of the farm. Committee members shared these feelings, and they were supposed to be involved in decision making on the farm. Another shared negative comment was the absence of training for the workers in order to assist them to understand how the scheme works. Shareholder workers felt that their opinions did not reach the directors. These comments indicated poor communication between the workers and management.

**Positive** – Most of the respondents had further positive comments about the scheme. Those who had, mentioned that they felt the farm was successful and that there had been several improvements. Some improvements were that respondents received

feedback on the progress of the farm, they were part of decision making and there had been improvement regarding housing issues.

## **5.4 Evaluation of Farm C**

### **5.4.1 Descriptive summary of the farm**

Situated in the Grabouw area, the farm has about 43 farmworkers (35 male and 8 female) who bought 100 percent share in a farm that had been liquidated in 2002. They hired a consultant to assist in the implementation and operation of the scheme. According to the manager, no formal negotiations were entered into, as there were only farmworkers to negotiate. Farmworkers received a 100 percent loan from a commercial bank to buy the farm. The shares are not tradable but shareholders are allowed to exit the scheme when they wish to do so. No farmworker refused to buy shares in the farm. Permanency of work was used as criteria to qualify as a shareholder. The farm still has the same number of workers since the establishment of the initial farmworker equity-sharing scheme, there are three foremen and four managers on the present scheme.

### **5.4.2 Institutional arrangements and governance of the farm**

The farm is totally owned by farmworkers and consists of all the land, fixed and moveable assets on the farm. The workers' shares are organised in a trust. Three worker elected representatives sit on the board of directors as Finance and Administration, Production and Human Resource Managers. One committee member indicated that meetings were held once in a month, while the others indicated that meetings were held weekly to discuss the day-to-day operation of the farm, income and future benefits to the workers.

#### ***5.4.2.1 Relations of power***

Farmworkers had worker representatives (6 male and 1 female) on the farm. While the majority of the shareholder workers were satisfied with these representatives, one shareholder worker wasn't, complaining that they can't solve workers' problems and keep referring workers to other representatives. Worker representatives believed that

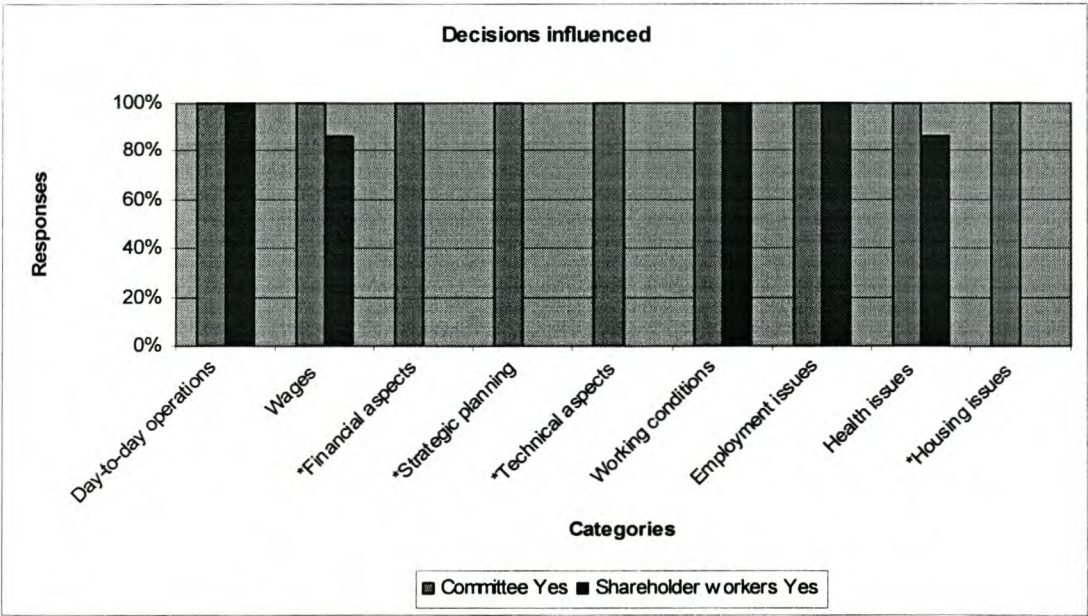


workers worked harder now than before the present scheme and that these workers were more productive.

Worker representatives indicated that suggestions they make are accepted by management and that they receive feedback. Fifty seven percent of shareholder workers indicated that they made suggestions on the farm and that management responded to them. This attests to the level of participation.

5.4.2.2 Beneficiaries' influence on decision making

Worker representatives from this farm felt that they played a role in decision making on the farm. All the interviewed representatives and shareholder workers believed that they influenced major decisions, such as the day-to-day operations of the farm, working conditions and employment issues. Few shareholder workers felt that they did not influence decision on wages and health issues. Worker representatives were involved in financial, strategic, technical and housing issues on the farm, as can be seen from Figure 5.4.



\* These are the questions which were not asked to shareholder workers

Figure 5.4: Influence on decision making on Farm C

### 5.4.3 The establishment of the scheme

The idea to establish an equity-sharing scheme on the farm appears to have been the farmworkers' idea, as indicated by 71 percent of the shareholder workers and the manager. However, one committee member and another shareholder member believed that the idea was a government representative's, and one shareholder worker thought that it was the former owner's idea. Shareholder workers seemed to vary in their opinion as to who communicated the idea to them. About 67 percent of the committee and shareholder workers said it was management, while 29 percent of shareholder workers and 33 percent of committee members believed that it was a consultant. Twenty eight percent of shareholder workers indicated that it was other farmworkers and the same percentage believed that it was the former farm owner. Forty three percent of shareholder workers indicated that they did not sign a contract to work on the farm.

#### 5.4.3.1 Motivation for the establishment of the scheme

Respondents felt that most of the reasons given were motivations for establishing the equity-sharing scheme on the farm. Only one shareholder worker felt that improving job security was not one of the motivations. The manager added that the scheme presented an opportunity to establish and grow "self-worth and improve social and economic empowerment".

**Table 5.7: Motivation for establishment of the scheme on Farm C**

	<b>Manager n=1</b>	<b>Committee n=3</b>	<b>Shareholder workers n=7</b>
<b>Reasons</b>	<b>Yes</b>	<b>Yes</b>	<b>Yes</b>
Improve productivity	1	3	7
Improve workers' income	1	3	7
Improve workers' wealth	1	3	7
Improve job security	1	2	6
Improve relations	1	3	7
Improve worker loyalty	1	3	7
Empower workers	1	3	7

#### 5.4.3.2 Role players' motivation for joining the scheme

One shareholder worker indicated that he was forced to join the scheme as management did not want to let him leave. He further stated that it was explained to



him that it would be to his advantage to join the scheme. All other respondents felt that the reasons listed in Table 5.8 motivated them to join the scheme. In contrast to this, the manager disagreed with most of the reasons, adding that the scheme provided an opportunity to be part of “something special”.

**Table 5.8: Respondents’ motivation for joining the scheme on Farm C**

	<b>Manager n=1</b>	<b>Committee N=3</b>	<b>Shareholder workers n=7</b>
<b>Motivation to join</b>	<b>Yes</b>	<b>Yes</b>	<b>Yes</b>
Security of employment	1	2	6
Increase in income	0	3	6
Increase in wealth	0	3	6
Retirement saving	0	3	6
Skills transfer	0	3	6

All the respondents were previously shareholders in equity-sharing schemes except for one committee member and two shareholder workers. Apart from one shareholder worker, all the respondents were happy to be part of this equity-sharing scheme.

#### *5.4.3.3 Workers’ expectations of the scheme*

All committee members and shareholder workers had expectations of the scheme and all but one shareholder member indicated that the manager was aware of those expectations. When asked if they thought their expectations would be fulfilled, only one shareholder worker did not believe so. The manager answered ‘yes’ and ‘no’ to the question on the fulfilment of expectations, indicating that many of the objectives are long-term objectives that still need to be achieved. Respondents’ expectations included that the scheme will be a success, a better future for their children and retirement savings.

#### *5.4.3.4 Role players’ benefit from the scheme*

Committee members knew of the benefits for themselves, but did not know of the benefits for other shareholder workers. The majority of shareholder workers knew of benefits for themselves and other shareholder workers. The ‘forced’ shareholder worker indicated that he did not know of any benefits for anyone in the scheme. Since there was no former farm owner, no benefits for him were known.

#### 5.4.4 Socio-economic aspects

##### 5.4.4.1 *Changes on the farm*

There was a high level of enthusiasm among respondents as almost all of them indicated that all the aspects changed for the better. However, some shareholder workers did not share the same view about changes regarding authoritative power and gender treatment. The respondents indicated that there were no changes with respect to these aspects. All respondents agreed that no aspects have changed negatively.

**Table 5.9: Respondents response to changes on Farm C (n=11)**

	<b>Don't know</b>	<b>Better</b>	<b>Worse</b>	<b>No change</b>
Health issues	0	11	0	0
Education	0	11	0	0
Housing	0	11	0	0
Working conditions	0	11	0	0
Food security	0	11	0	0
Authoritative power	0	10	0	1
Security of employment	0	11	0	0
Trust	0	11	0	0
Skills transfer	0	11	0	0
Gender treatment	0	8	0	3
Relations	0	11	0	0

##### 5.4.4.2 *Training and skills transfer*

It was agreed by all respondents on the farm that they had received training. The training was on both financial and managerial aspects. All respondents indicated that the training was formal, except for one shareholder worker who thought that the training was informal. The manager indicated that workers received both informal and formal training, so the single respondent could have received informal training with other shareholder workers who were not interviewed. Furthermore, this respondent commented that the training was not sufficient, although the manager, committee members and other shareholder workers believed otherwise.

##### 5.4.4.3 *Wages and dividends*

Two committee members indicated that they received weekly remuneration, while one member indicated monthly remuneration. All of them point out that they receive yearly bonuses and performance bonuses. All shareholder workers, of whom 86 percent indicated that they have been receiving yearly bonuses, received monthly



remuneration. Forty three percent of shareholder workers said that they received performance bonuses. All respondents indicated that they received cash dividends in 2003. The manager agreed that the scheme has paid out cash dividends in 2003.

#### *5.4.4.4 Absenteeism*

Since the implementation of this equity-sharing scheme no absenteeism has been recorded.

#### *5.4.4.5 Gender relations*

Gender did not cause problems as there was no difference in the treatment of male and females doing the same work, including wages paid.

#### *5.4.4.6 Education of farmworkers' children*

Committee members and shareholder workers had their school-aged children attending school. About 23 percent of the shareholder workers and all committee members had their children attending school in town. Apparently some of the interviewed shareholder workers were not from the area as their children attended school in their hometowns. Forty three percent of these shareholder workers had their children attending school on the farm. Some of the children attending school in town had transport provided for them while others indicated that transport was not provided. Those who had transport did not pay for the transport.

#### *5.4.4.7 Housing situation on the farm*

Not all the respondents lived on the farm. On average those who lived on the farm had four-room houses. The size of the houses ranged from one to six rooms. Three respondents indicated that the houses were leased to them. Two respondents believed that they owned the houses. All the houses had electricity, sanitation and tap water, for which workers did not pay. The manager received his house as part of the working agreement. No new houses have been built on the farm. There are 19 households and 29 permanent farmworkers living on the farm.

All respondents shared their houses with other family members. Only one committee member and one shareholder worker did not live with their spouses. On average the families had two children per household. No respondents were living with their parents.

#### *5.4.4.8 Worker relations on the farm*

Of all the respondents, only one committee member felt that his direct manager was not approachable. All respondents reported that they received clear instructions for work. Almost everyone was satisfied with the communication between workers and their direct manager; only one committee member expressed dissatisfaction in this regard.

#### *5.4.4.9 Health issues on the farm*

The farm ran a clinic situated on the farm. The clinic had a social worker that was responsible for counselling workers. The clinic was not used only to care for ailments but also to monitor any problems possibly resulting from the workers' living or social conditions. From the clinic records and assistance of a social worker from the clinic, it was found that most workers had financial challenges, which resulted in most respondents suffering from headaches. Management tried to address the problem by increasing workers' income which resulted to a decrease in headache cases reported to the clinic consequence increase in workers production time.

#### **5.4.5 Other aspects of the farm**

##### **Specific working conditions:**

Those workers who did work detrimental to their health, such as working on the field with poisonous substances, received protective gear.

##### **Comments:**

**Negative** – Some respondents complained that they need more money to go to a private doctor while this was subsidised in the previous scheme. Others felt that their opinions were not asked and that they didn't influence decisions on the farm.



**Positive** – Respondents emphasised that they have security and a better future for their children. Individual respondents felt that communication was good, new benefits could be seen, better housing was available and they had more trust in management.

## **5.5 Evaluation of Farm D**

### **5.5.1 Descriptive summary of the farm**

The farmworker equity-sharing scheme on this Paarl farm was initiated by management body of the farm and a consultant in 2002, with 244 farmworkers working on four farms belonging to management body of the farm. According to the manager (previous sole farm owner), there were formal negotiations during the establishment of the scheme at which farmworkers were represented. The shares were bought using land grants (30%) and commercial bank funds (70%). The scheme operates as a company for which the trust holds all shares. Anyone who wants to sell his/her shares should first approach the workers' trust and then the family trust. No outsiders are allowed to buy shares. Number of years working on the farm was the only criteria for qualification to buy shares. During the initiation there were farmworkers who did not want to buy shares on the farm. Those workers were still not interested in buying shares on the farm at the time of the visit. There are four farmworker representatives on the board of directors and two representatives of the former farm owner's family trust.

### **5.5.2 Institutional arrangements and governance of the farm**

Two parties hold shares in the farm, namely the former farm owner (a third of the shares) and the farmworkers (two thirds of the shares). Farmworkers' shares are organised in a workers' trust.

#### *5.5.2.1 Relations of power*

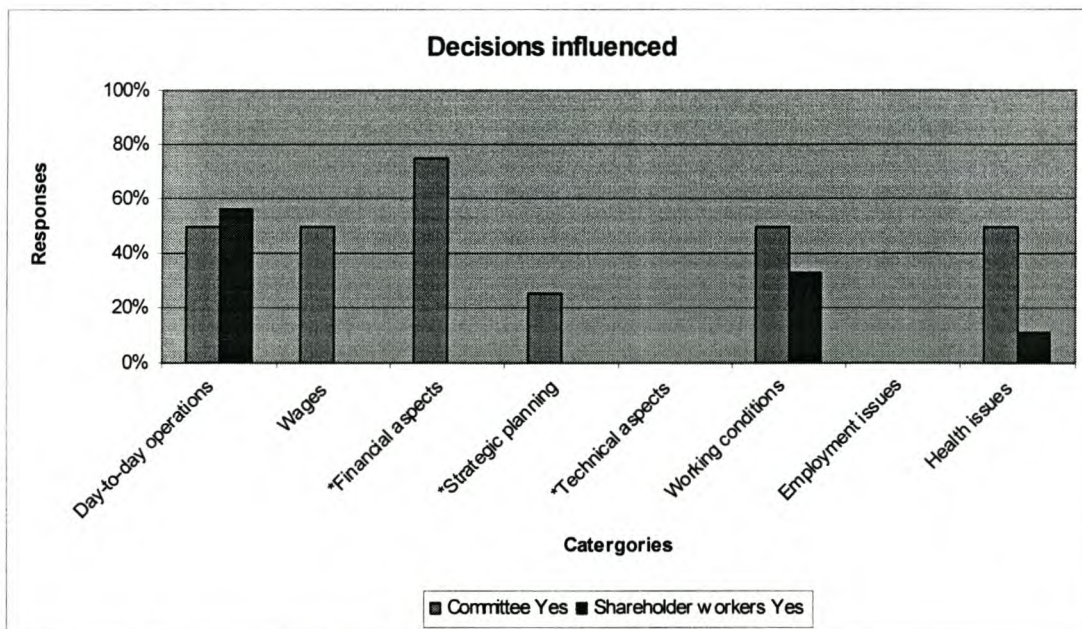
Worker representatives are elected by other farmworkers, even though one committee member said that management elected them. All shareholder workers acknowledged that they had worker representatives on the farm and said that they were satisfied with these representatives. However, no shareholder workers have ever made any suggestions, while all the committee members agreed to do so. Half of the committee

members indicated that their suggestions were acknowledged and that management responded to their suggestions; the other half disagreed.

According to three committee members, meetings are held once every month to discuss the following: the success of the farm and equity-sharing schemes, motivating the workers, protecting the interests of shareholders, and bargaining for more power from the former farm owner. One committee member indicated that meetings are not regularly held.

#### 5.5.2.2 Beneficiaries' influence on decision making

As depicted in Figure 5.10, there seems to be less influence on decision making by committee and shareholder workers on the farm. The manager indicated that farmworkers, through their directors, have an input in decision making regarding all aspects, including housing issues, but farmworkers did not feel that way. Shareholder workers did not feel like they played a role in most decision making. Committee members felt that they only influenced financial aspects.



\* These are the questions which were not asked to shareholders

**Figure 5.5: Workers' influence on decision making on Farm D**



### 5.5.3 The establishment of the scheme

The present manager thought that the idea to start a farmworker equity-sharing scheme on the farm was the farm management committee and a consultant's idea. About 56 percent of the shareholder workers thought it was the former farm owner's idea, about 33 percent believed that it was a consultant's idea, while only one shareholder worker indicated that she did not know. All workers signed contracts to work on the farm.

#### 5.5.3.1 Motivation for the establishment of the scheme

The manager indicated that all the stated reasons motivated the establishment of the equity-sharing scheme on the farm. There were, however, many differences between the committee members and the shareholder workers. All committee members believed that improving workers' income was the main motivation, while shareholder workers felt that improving workers' income, improving workers' wealth and improving job security were the most applicable motivations. One shareholder worker said that she did not know the motivation behind the establishment of the scheme, although she has been on the farm for ten years. Most respondents felt that the main motivation was to improve workers' wealth.

**Table 5.10: Motivation for establishment of the scheme on Farm D**

	<b>Manager n=1</b>	<b>Committee n=4</b>	<b>Shareholder workers n=9</b>
<b>Reasons</b>	<b>Yes</b>	<b>Yes</b>	<b>Yes</b>
Improve productivity	1	2	3
Improve workers' income	1	4	6
Improve workers' wealth	1	2	6
Improve job security	1	2	6
Improve relations	1	2	2
Improve worker loyalty	1	2	3
Empower workers	1	2	3
Create a sustainable income generating business	1	0	0

#### 5.5.3.2 Role players' motivation for joining the scheme

Most shareholder workers choose an increase in income followed by an increase in wealth as motivation for joining the scheme. Committee members added security of employment to these. The manager felt that retirement saving and skills transfer were

not motivations for joining the scheme. He added other motivations such as creating a sustainable income generating business.

**Table 5.11: Respondents' motivation for joining the scheme on Farm D**

	<b>Manager n=1</b>	<b>Committee n=4</b>	<b>Shareholder workers n=9</b>
<b>Motivation to join</b>	<b>Yes</b>	<b>Yes</b>	<b>Yes</b>
Security of employment	1	4	4
Increase in income	1	4	8
Increase in wealth	1	4	6
Retirement saving	0	2	1
Skills transfer	0	2	4
Other	1	0	0

#### *5.5.3.3 Workers' expectations of the scheme*

Two committee members and two shareholder workers did not have any expectations about the scheme. It is interesting to find that those who had expectations were interested in their future and the future of their children. Some workers expected benefits from the farm. One committee member even indicated that the farm could only be successful if the former farm owner left. The same committee member said that the project was good although the business plan was weak. Those who had expectations indicated that management was aware of their expectations. Only one did not think that their expectations would be fulfilled. The manager felt that the objectives for establishing the scheme had been achieved. On average respondents were willing to remain shareholders for six years; about three did not know how long they wanted to remain shareholders.

#### *5.5.3.4 Role players' benefit from the scheme*

One committee member was aware of benefits for him, while the rest did not. None of the committee members knew of benefits for the shareholder workers. They were, however, aware of benefits for the former farm owner. On the other hand, all but one of the shareholders was aware of his benefits. One shareholder worker knew of benefits for the former farm owner and five shareholder workers knew of benefits for other shareholder workers.



#### 5.5.4 Socio-economic aspects

##### 5.5.4.1 *Changes on the farm*

It is disappointing that most of the respondents seem to believe that there had been no changes in various aspects of the farm since the implementation of the farmworker equity-sharing scheme (see Table 5.13). The manager indicated that there had been no change in authoritative power and gender treatment. Some respondents felt that some of the aspects had changed negatively. Most respondents believed that only working conditions had changed for the better.

**Table 5.12: Shareholder workers' response to changes Farm D (n=14)**

	Don't know	Better	Worse	No change
Health issues	0	3	1	10
Education	0	3	1	10
Housing	1	1	0	12
Working conditions	0	10	1	3
Food security	0	4	2	8
Authoritative power	0	3	1	10
Security of employment	0	5	1	8
Trust	0	8	2	4
Skills transfer	0	4	2	8
Gender treatment	0	0	1	14
Relations	0	3	2	9

##### 5.5.4.2 *Training and skills transfer*

Committee members as well as shareholder members indicated that they had not received any training, so most of the questions were not applicable to them. However, the manager indicated that farmworkers received formal training on financial and managerial aspects, although he felt that the training was insufficient and that farmworkers needed more training. According to the manager, the farm used a consultant to do the training.

##### 5.5.4.3 *Wages and dividends*

All committee members received weekly wages and yearly bonuses. Some shareholder workers received daily wages and others weekly wages but all confirmed that they received yearly bonuses. The farm has not yet paid dividends since the inception of the scheme. A number of the respondents didn't know why dividends weren't paid. Most respondents indicated that they believed dividends would be paid

after five years. One even believed that the farm was bankrupt. The manager remarked that the profits are used to pay off loans; then dividends would be paid. According to the manager, farmworkers received performance bonuses but all the interviewed respondents said that they only received yearly bonuses.

#### *5.5.4.4 Absenteeism*

The interviewed manager did not have this information available.

#### *5.5.4.5 Gender relations*

One committee member and two shareholder workers indicated that males and females are treated differently with regard to wages for the same work. The manager disagreed, saying that there is no difference in treatment in any way due to gender.

#### *5.5.4.6 Education of farmworkers' children*

Most of the respondents came from settlement areas outside the farm, so their children went to schools closer to or situated in those areas. The children of those who lived on the farm attended schools in the settlement areas or in town. Free transport was provided for the children attending school in town.

#### *5.5.4.7 Housing situation on the farm*

None of the interviewed shareholder workers lived on the farm and only two committee members lived on the farm. They had houses with four or five rooms, electricity, tap water and sanitation. They both paid for electricity and water but only one paid for sanitation. These respondents lived with their spouse and two and three children respectively. The houses were leased to both respondents. The manager indicated that there were other houses situated on adjacent farms, which were not part of this farm. These houses were leased to workers at a discounted rent. Workers have to evacuate the houses when they no longer work for the farm. There were about 22 permanent shareholder farmworkers living on the farm out of a total of 75, and only two permanent non-shareholder farmworkers lived on the farm. No new houses have been built.



#### *5.5.4.8 Worker relations on the farm*

Three committee members felt that their direct manager was approachable; the other one did not. However, all agreed that they received clear instructions for their work. About 77 shareholder workers felt that their direct manager was approachable and all but one shareholder members felt they are given clear instructions for their work. Fifty six percent of shareholder workers and 50 percent of committee members felt that the communication with their direct managers was good. Thirty three percent of shareholder workers and 25 percent of committee members felt that it was satisfactory, and one committee member and one shareholder worker felt that it was bad or deteriorating.

#### *5.5.4.9 Health issues on the farm*

All respondents indicated that they received health services in town. They did, however, acknowledge that free transport was made available to take them to town for these health services.

#### *5.5.5 Other aspects of the farm*

##### **Specific working conditions:**

Two shareholder workers commented that they did work that is detrimental to their health and that they were not given any protective gear. The farm had restrooms in the fields where farmworkers worked.

##### **Comments:**

**Negative** – Unlike the manager, who had no negative comments, all the other respondents expressed their grievances. About 25 percent of the respondents complained about poor communication, stating that the manager made the decisions on his own without including them.

The most general complaint was that weekly wages fluctuated and that payment is poor. Some respondents indicated that they had no trust in the manager (former farm owner) and that they thought he wasn't the right person to lead the farm. According to them, he became angry quickly and he knew nothing about finance. Some of the

comments were rather harsh; one respondent said that the manager was still a “wit boer” (white farmer).

**Positive** – Only the manager had a positive remark about the farmworker equity-sharing scheme on the farm. He was of the opinion that government’s initiative on land reform is good, but that there is a need for post support programmes. Training should be compulsory and the government should appoint a trainer in the first financial year. This needs to be done before implementation.

## **5.6 Evaluation of Farm E**

### **5.6.1 Descriptive summary of the farm**

This farmworker equity-sharing scheme, situated in Ceres, is rather different from the other farmworker equity schemes implemented by DLA. The scheme was partly financed and approved by the DLA under its LRAD programme, but under certain conditions. Farmworkers hold shares in a cold storage facility instead of the farm. About 932 farmworkers from several estates joined to establish a cold storage facility in 2003. This was accomplished through negotiations by the management of the estates. The scheme is organised as a company with farmworkers holding 90 percent of the shares and the estate’s management holding 10 percent of the shares in the facility. One manager from the facility management which is comprised of both farmworkers and the estate’s management bodies was selected to manage the day-to-day operation of the facility. The interviewed respondent was the chairman of the board.

### **5.6.2 Institutional arrangements and governance of the farm**

There are two parties involved in this farmworker equity-sharing scheme, namely the former farm owner (10%) and the farmworkers (90%). Farmworkers are represented on the board of directors by four trust members. The board also includes two management group representatives and two cooperative representatives.

#### *5.6.2.1 Relations of power*

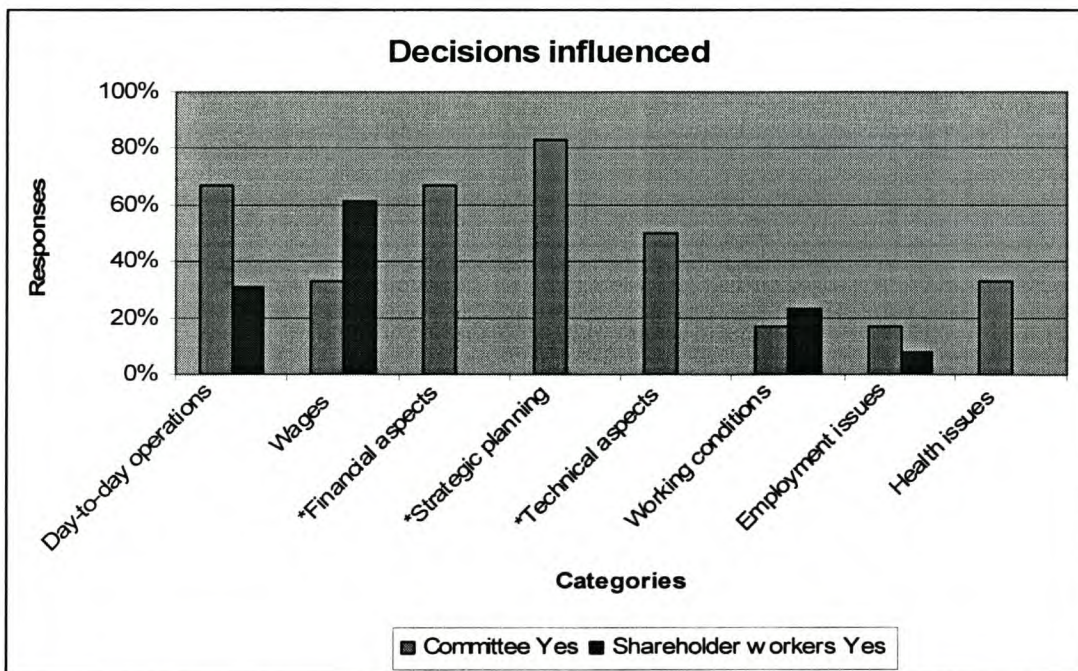
Farmworkers have worker representatives on the farm. Only three shareholder workers were satisfied with the representatives; the other five were not. The main



reason for the dissatisfaction was the lack of consultation and feedback from the representatives. Other reasons were unfulfilled promises and the fact that the representatives did not have power but the consultant did. According to one respondent, there was a lot of confusion amongst the leaders.

#### 5.6.2.2 Beneficiaries' influence on decision making

Committee members and shareholder workers seemed to influence a wide range of decisions on the farm. In Figure 5.5 it can be seen that more than 50 percent of the committee members felt that they influence most of the decisions such as strategic planning and financial aspects. Most shareholder workers only felt that they influence wage issues. Committee members together with shareholder members felt that they don't influence decisions on working conditions and employment issues. Committee members indicated that they influence day-to-day operations on of the farm, shareholder workers did not feel the same. The manager agreed that farmworkers influenced all other aspects but not the day-to-day operation.



\* These are the questions which were not asked to shareholder workers

**Figure 5.6: Respondents influence on decision making on Farm E**



### 5.6.3 The establishment of the scheme

Some respondents named more than one person who had the idea to establish the farmworker equity-sharing scheme. About 45 percent of the respondents believed it was farmworkers, 35 percent believed it was the former farm owner and 30 percent believed it was the government. Five percent said they did not know. The manager indicated that it was management's idea. All respondents signed contracts to work on the farm.

#### 5.6.3.1 Motivation for the establishment of the scheme

From Table 5.14 it can be seen that the manager agreed with all the reasons listed as motivation for the establishment of the equity-sharing scheme. He also added transformation as a reason. Some committee members and shareholder workers felt that some of the reasons did not serve as motivation for establishing the equity-sharing scheme. The reason for this might be the nature of the equity-sharing scheme, as shareholders do not have direct shares in a farm but in a facility. According to most respondents the main motivation was to improve workers' income (55%). A hundred percent of the shareholder members chose this as the reason behind the establishment of the scheme.

**Table 5.13: Motivation for establishment of the scheme on Farm E**

	<b>Manager n=1</b>	<b>Committee n=6</b>	<b>Shareholder workers n=13</b>
<b>Reasons</b>	<b>Yes</b>	<b>Yes</b>	<b>Yes</b>
Improve productivity	1	4	7
Improve workers' income	1	3	13
Improve workers' wealth	1	5	5
Improve job security	1	2	7
Improve relations	1	5	4
Improve worker loyalty	1	5	8
Empower workers	1	3	10
Other	1	0	0

#### 5.6.3.2 Role players' motivation for joining the scheme

Most shareholder workers indicated that expected increase in income was their main motivation for joining the equity-sharing scheme. This motivation was followed by expected security of employment. Expected increase in wealth and skills transfer were not major motivations for most shareholder workers. Most committee members felt



that expected increase in wealth was their motivation for joining the scheme. Unlike shareholder workers, committee members felt that retirement saving and skills transfer were the other main motivations. The manager wasn't motivated by retirement saving and increase in wealth.

**Table 5.14: Respondents' motivation for joining the scheme on Farm E**

	<b>Manager n=1</b>	<b>Committee n=6</b>	<b>Shareholder workers n=13</b>
<b>Motivation to join</b>	<b>Yes</b>	<b>Yes</b>	<b>Yes</b>
Security of employment	1	3	8
Increase in income	1	3	11
Increase in wealth	0	5	6
Retirement saving	0	4	5
Skills transfer	1	4	6

Only one shareholder worker indicated that he had participated in an equity-sharing scheme before. Otherwise none of these respondents had any previous experience in an equity-sharing scheme. All respondents believed that they made the right decision in joining the equity-sharing scheme.

#### *5.6.3.3 Workers' expectations of the scheme*

All committee members and almost all shareholder workers, except two, had expectations of the scheme. The main expectation was to provide a better future for their children. Some indicated that they believed that the scheme would work and continue as a profitable company. Others said that they would expand, pay dividends in the future, and even become owners of the farm in the next five years. One respondent indicated that they would like to have black and white skilled managers. All the respondents who had expectations acknowledged that management was aware of their expectations and believed that their expectations would be fulfilled. Everyone indicated that they would like to remain shareholders for more than ten years; some even indicated that they will be shareholders for the rest of their lives. The only respondents who were not sure about remaining shareholders were those who did not have expectations of the scheme.

#### 5.6.3.4 Role players' benefit from the scheme

Five of the six committee members knew of benefits for themselves, while only one knew of benefits for the former farm owner. Three knew of benefits for other shareholders workers. Nine of the 13 shareholder workers interviewed knew of benefits for themselves, four knew of benefits for the former farm owner and 11 knew of benefits for other shareholder workers.

#### 5.6.4 Socio-economic aspects

##### 5.6.4.1 Changes on the farm

The manager felt that all the aspects changed positively since the implementation of the equity-sharing scheme. Committee members and shareholder workers did not share his view.

**Table 5.15: Committee members' response to changes on Farm E (n=6)**

	<b>Better</b>	<b>Worse</b>	<b>No change</b>
Health issues	3	0	3
Education	5	0	1
Housing	3	0	3
Working conditions	3	1	2
Food security	1	0	5
Authoritative power	5	0	1
Security of employment	5	1	0
Trust	6	0	0
Skills transfer	5	1	0
Gender treatment	4	1	1
Relations	6	0	0

The responses of committee members regarding changes on the farm since the implementation of the equity-sharing scheme are illustrated in Table 5.16. Some respondents felt that some of the changes were negative. All respondents agreed that trust and relations have changed for the better. Most respondents indicated that education, authoritative power, security of employment and skills transfer had also changed for the better. Most respondents did not believe that food security has changed at all.



**Table 5.16: Shareholder workers' response to changes on Farm E (n= 13)**

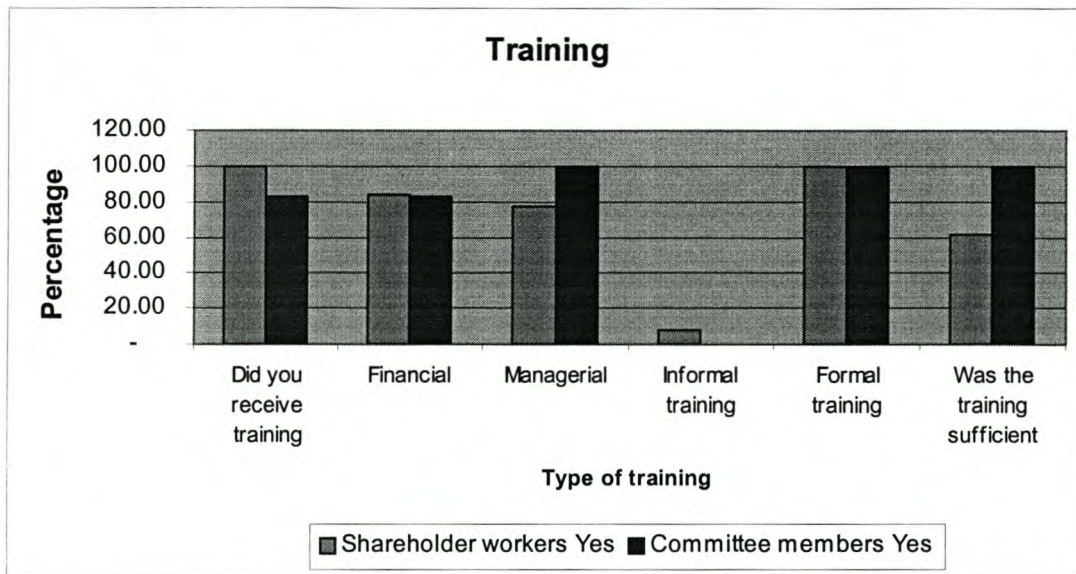
	<b>Better</b>	<b>Worse</b>	<b>No change</b>
Health issues	6	0	7
Education	9	0	4
Housing	8	0	5
Working conditions	9	0	4
Food security	7	0	6
Authoritative power	9	0	4
Security of employment	8	0	5
Trust	9	0	4
Skills transfer	10	0	3
Gender treatment	10	0	3
Relations	9	0	4

Shareholder workers were divided in their responses regarding changes on the farm. The majority felt that there were changes in various aspects and that these changes have been for the better. It can be seen from Table 5.17 that most shareholder workers felt that skills transfer and gender relations<sup>23</sup> have greatly changed. More respondents indicated that health issues have not changed than those who believed that it did.

#### *5.6.4.2 Training and skills transfer*

Figure 5.6 illustrates that all interviewed shareholder workers and more than 80 percent of the committee members had received training on financial and managerial aspects. All the committee members indicated that they had received managerial training. No committee members indicated that they had received informal training and some shareholder workers believed that they received both informal and formal training. Almost 40 percent of the shareholder workers did not feel that the training had been sufficient, while 100 percent of the committee members believed that the training was sufficient. The manager indicated that all workers on the farm had received formal training on the financial and managerial aspects, but even he did not think that the training was sufficient.

<sup>23</sup> From observation, there were female tractor drivers on the farm. The manager added that they found that female drivers were more careful and faster than male drivers.



**Figure 5.7: Farmworker shareholders' response regarding training received on Farm E**

#### *5.6.4.3 Wages and dividends*

According to the manager, workers received daily remuneration with no yearly bonuses or performance bonuses. However, committee members and shareholder workers indicated that they received weekly remuneration; one shareholder worker said he received monthly remuneration. About 67 percent of committee members and 23 percent of shareholder workers indicated that they received yearly bonuses and about four committee members and one shareholder worker indicated that they received performance bonuses. Everyone agreed that they have received dividends from the scheme, which were paid out in 2003. The dividends were paid out in cash to all the shareholders.

#### *5.6.4.4 Absenteeism*

The manager indicated that no information on absenteeism was available.

#### *5.6.4.5 Gender relations*

Half of the committee members and three shareholder members indicated that there was a difference in how male and female workers were treated. Four committee



members and two shareholder indicated that wages for male and female workers doing the same work differed. The manager disagreed with these statements.

#### *5.6.4.6 Education of farmworkers' children*

All the committee members' school-aged children attended school and only three shareholder workers did not have any children at school. Most of the children attended school in town, while some did so on the farm or in their settlement area. Free transport to school was provided for all children.

#### *5.6.4.7 Housing situation on the farm*

All the interviewed respondents lived on the farm. The houses ranged from two to six rooms in size, with an average of five rooms. About 47 percent indicated that they owned the houses, 32 percent indicated that the houses were leased to them, 16 percent said that the houses were lent to them, and five percent indicated that the houses belonged to the farm. The houses had electricity, sanitation and tap water. Everyone paid for electricity. All the shareholder workers and three committee members did not pay for tap water and sanitation. There are about 80 houses on the farm and no new houses were built since the implementation of the scheme.

Respondents lived with three children on average and most shared their houses with their spouses. Only one shareholder worker was living with parents.

#### *5.6.4.8 Worker relations on the farm*

Farmworkers elect their worker representatives who represent them on the farm management board. Respondents agreed that their representatives were satisfactory in their representation. All respondents agreed on receiving clear instructions for their work and all agreed that their direct managers were approachable. About 77 shareholder workers and 83 percent of the committee members indicated that they make suggestion and 50 percent shareholder workers felt that their suggestions are not taken. However they don't all agree that they receive feedback from their suggestions.

#### *5.6.4.9 Health issues on the farm*

Two committee members declared that no health services were provided on the farm, but all other respondents acknowledged that health services were provided by a mobile clinic. The manager also indicated that there was a nearby clinic that was used.

#### **5.6.5 Other aspects of the farm**

##### **Specific working conditions:**

All respondents agreed that their direct manager was approachable and that they were given clear instructions for their work. Fifty three percent of respondents felt that communication with their direct managers was satisfactory and 47 percent felt that it was good. Few respondents indicated that they do work detrimental to their health and they all agreed that they receive protective gear from the farm.

##### **Comments:**

**Negative** – The few respondents who had negative comments mentioned that trustees and other shareholders did not receive enough training.

**Positive** – Few respondents had both positive and negative comments. The manager commented that ownership and better income were the positive things to come from this endeavour. Committee members' and shareholder workers' positive comments were that dividends had already been paid out in the first year of operation, that trustees were positive, and that the farmworkers had a feeling of ownership.

### **5.7 Chapter summary**

The evaluation of the farms shows that the institutional arrangements and governance of the farm differs in terms of the involvement of the farmworkers in the management of the scheme. While all farmworkers have representatives on the management body or representation on the farm, their perception on their level of decision influence differs. There are also deferent perceptions on their knowledge of the operations of the farm and the benefits farmworkers expect from the schemes. The financial evaluation of the farms from which financial records were available is dealt with in Chapter Seven.



## CHAPTER SIX

### COMPARISON OF THE FARMS AND THEIR FINANCIAL EVALUATION

#### 6.1 Introduction

The objective of this chapter is to present a comparison of all the farms evaluated. The chapter ends with an evaluation of the financial results of two farms from which financial statements were available with the use of the available information.

#### 6.2 Statistical comparison of all the farms evaluated

This section investigates whether there is any relationship between the responses received from the various respondent groups (managers, committee members and shareholder workers) in all the farms evaluated. The responses were compared by constructing a contingency table, which was used to establish whether there was independence between two or more variables. The test was performed at a 95 percent confidence level. Thus, if  $p \geq 0.05$  the null hypothesis is accepted and if  $p \leq 0.05$  the null hypothesis is rejected.

##### 6.2.1 Motivation for establishing the farmworker equity-sharing schemes

In Table 6.1 it can be seen that there was no variable which could lead us to reject the null hypothesis, except of one variable which is less than 0.05.

**Table 6.1: Respondent's motivation for establishing the schemes**

Variable	Probability value
Improve productivity	P=0.395583
Improve income	P=0.424999
Improve wealth	P=0.322683
Improve security of employment	P=0.165546
Improve relations	P=0.131661
Improve workers' loyalty	P=0.404977
Improve empowerment	P=0.393822
<b>Most important motivation</b>	<b>P=0.001829</b>

The variable with the lowest probability value was ‘most important motivation’. This means that we can reject the null hypothesis. Most respondents chose different variables as their most important motivations for establishing farmworker equity-sharing schemes on their farm.

Respondents joined the schemes for different reasons and all the variables have probability values greater than 0.05.

**Table 6.2: Respondent’s reasons for joining the schemes**

<b>Variable</b>	<b>Probability value</b>
Security of employment	p=0.350195
Increase in income	p=0.882880
Increase in wealth	p=0.200426
Retirement saving	p=0.266269
Skills transfer	p=0.599124
Other reasons	p=0.087949
Forced to join	p=0.739026

#### 6.2.2 Changes on the farms

There are no variables from the respondent’s answers about changes on the farm that could lead rejecting the null hypothesis. Skills transfer is only near to the variable close to the reason of rejecting the null hypothesis with the lowest probability value of 0.06. All variables had values greater than 0.05.

**Table 6.3: Respondent’s answers to changes on the farms**

<b>Variable</b>	<b>Probability value</b>
Health	p=0.550627
Education	p=0.552037
Housing	p=0.714380
Working conditions	p=0.482655
Food security	p=0.381181
Authoritative power	p=0.706195
Employment security	p=0.455955
Trust	p=0.404601
Skills transfer	p=0.060587
Gender treatment	p=0.183392
Relations	p=0.166746



### **6.3 Financial evaluation of each case studies**

Financial evaluation was limited to the farms that could provide financial statements. The reasons for the unavailability of financial statements in most of the farms were the liquidation process. One farmworker equity-sharing scheme was only months in operation hence its financial statements could not be used.

The aim of the financial evaluation is to analyse the business' past and present performance in the long run or in a number of years. The financial evaluation uses ratio analysis to perform trend analysis, using information from the income statements and balance sheet. A general overview of the industry within which the equity-sharing scheme is operating will be given, looking at the price changes that have occurred over time. Only two farms could provide financial statements due to reasons mentioned above. Even these farms had different problems such as incomplete financial statements and the unavailability of certain information because it was not captured.

Financial analysis of the equity-sharing scheme only use the information given by the farm, hence the analysis is limited to possible financial ratios. Farm A had been liquidated already and its financial statements were difficult to find as the farm had to have forensic audits done. However financial statements that could be retrieved from the files available from DLA were not inclusive and they were to be sorted at a later stage. This resulted to financial evaluation being difficult to conduct.

#### **6.3.1 Financial evaluation of Farm A**

Financial evaluation of Farm A consisted of liquidity ratios, profitability ratios and solvency ratios. This farm was undergoing liquidation.

##### **6.3.1.1 Land use**

The total size of the farm included in the equity-sharing scheme is 200 hectares. The land use on the farm comprised of 45.85 hectares of cultivated irrigated land and 154.15 hectares of veld.

There are two enterprises on the farm included in the equity-sharing scheme, fruit and vineyard. In total about 45.85 hectares of irrigated land of the farm in the equity-sharing scheme.

**Table 6.4: Enterprise on Farm A**

<b>Cultivar name</b>	<b>Enterprise</b>	<b>Irrigated (ha)</b>
Packhams Triumph	Pears	8.09
Rosemarie	Pears	4.04
Angeleno	Pears	1.30
Larry Anne	Pears	1.16
Songold	Plums	1.35
Leatitia	Plums	1.22
Braestar	Apples	1.48
Fuji	Apples	1.53
Golden Delicuos	Apples	2.11
Granny Smith	Apples	3.15
Pink Lady	Apples	6.98
Sundowner	Apples	2.04
Labernet Sauvignon	Vineyard	7.70
Cabernet Sauvignon	Vineyard	3.70
<b>TOTAL</b>		<b>45.85</b>

#### 6.3.1.2 Financial analysis

There is a great difficulty in comparing or analysing the above ratios as there is no trend that one can compare the present situation with the previous years.

#### (a) Liquidity

Liquidity ratios are calculated from the consolidated balance sheet of the period until the 31 March 2003. Here the current-asset ratio is 2.437, this is above the recommended ratio. The acid test ratio shows a higher number than the current-asset ratio as it was 3.0. Intermediate ratio shows that the total current assets together with the medium-term assets were less than total current liabilities and the medium term liabilities. This shows that the liquidity of the farm was actually relying on short-term assets rather than on long-term assets.



**Table 6.5: Financial ratio analysis of Farm A**

Ratios	Period
	2002/03
<b>Liquidity</b>	
Current-asset ratio	2.436
Acid test ratio	3.721
Intermediate ratio	0.901
<b>Solvency</b>	
Net capital ratio	1.000
Leverage ratio	2.280
<b>Financial efficiency</b>	
Turnover ratio	0.778
Gross ratio	0.718

**(b) Solvency**

It can be deduced from the net capital ratio that the total liabilities of the farm were more than the total assets meaning the farm was insolvent. The sale of the farm's assets could not payoff the farms' liabilities. The leverage ratio shows how small the difference between the total liabilities and the net worth is. The ratio is computed from the total assets divided by the net worth or total assets divided by the total liabilities.

**(c) Financial efficiency**

Due to the irregular operations of the farm because of the liquidation process, the financial statements and the financial period was altered by the process. This made it hard to perform a trend analysis from the statements. However the analysis shows that the farm's turnover ratio was 0.778.

**6.3.2 Farm B**

Financial evaluation of Farm B consisted of liquidity ratios, profitability ratios, solvency ratios.

### 6.3.2.1 Land use

The total size of the farm included in the equity-sharing scheme is 1.235 hectares. Cultivated irrigated land makes up 100 hectares of the farm, with 52 hectares of cultivated dryland and 20 hectares of farm yard and waste land.

**Table 6.6: Operating enterprise on the Farm B**

Cultivar name	Operating enterprise	Irrigated (ha)	Cultivar name	Operating enterprise	Irrigated (ha)
Fairtime	Peaches	3.18	Fantasia	Nectarines	6.1
Bokkeveld	Peaches	0.52	Independence	Nectarines	6.87
Waveren	Peaches	0.18	Flavourtop	Nectarines	0.40
Hantam	Peaches	0.18	Fiesta Red	Nectarines	2.68
Suncrest	Peaches	2.35	Donnerine	Nectarines	1.25
Kakamas	Peaches	2.5			
Bonnigold	Peaches	1.93	Packhams Triumph	Pears	7.64
Alberta	Peaches	0.48	Comice	Pears	5.60
Sunsweet	Peaches	0.66	Bon Crection	Pears	9.83
Suncrest	Peaches	0.96	Forelle	Pears	10.38
			Clapps	Pears	1.71
Bepeco	Apricots	1.07			
Soldonne	Apricots	1.21	Van der Merve	Prunes	5.2
Ladysan	Apricots	1.02			
Peeka	Apricots	0.21			
<b>TOTAL</b>		<b>45.85</b>			

There are five enterprises on the farm making up the equity-sharing scheme, namely fruit and vineyard. Only one enterprise makes up the equity sharing-scheme on the farm, namely pears. Bearing pears take up about 42.59 hectares of the total irrigated land, peaches and nectarines 21.82 hectares, prunes taking up 6.2 hectares, apricots take up 3.51 hectares. The last enterprise is tomatoes occupying about 26 hectares of the irrigated land. These tomatoes were planted in tunnels of 9 X 30 m per tunnel. In total there were 21 tunnels.

### 6.3.2.2 Financial analysis

Financial analysis of the equity-sharing scheme only use the information given by the farm, hence the analysis is limited to possible financial ratios.



**Table 6.7: Financial ratio analysis of Farm B**

<b>Ratios</b>	<b>Period</b>		
	<b>2000/01</b>	<b>2001/02</b>	<b>2002/03</b>
<b>Liquidity</b>			
Current-asset ratio	0.468	0.444	2.856
Acid test ratio	0.468	0.444	2.856
Intermediate ratio	2.092	0.954	3.489
<b>Solvency</b>			
Net capital ratio	0.547	0.518	0.521
Leverage ratio	2.209	2.075	2.089
<b>Financial efficiency</b>			
Expense structure	0.659	0.665	0.626
Gross ratio	2.659	1.548	1.050

**(a) Liquidity**

Liquidity as the measure of the degree to which short-term debt liabilities can be paid from cash or short term assets here has improved over the 2002/03 period. Current-asset ratios of 2.0 and higher are seen as an indication that the farm or business is in a good state. However as Farm B had current-asset ratios below 1.5 for the 2000/01 and 2001/02 periods, this does not mean that its financial status was bad as this could only be known if the operations of the farm are well known. Businesses with continuous sales throughout the year can survive with ratios below 1.5. The acid test ratio depicted the same results as those mentioned for current-asset ratio. Intermediate ratio indicates the extent to which the farm could payoff debts over the medium term. This ratio shows a strain that the farm experienced over the 2001/02 period as there was a decline.

**(b) Solvency**

Farm B has positive solvency ratios with the net capital ratio and the leverage ratios being positive and fairly stable over the period. Solvency ratio measure the rate at which a business could pay off its debts, hence on Farm B the total liabilities exceeded total assets. This is shown by the net capital ratio calculated over the period. Ratios for the period 2000/01 was 2.2, but decreased slightly to 0.9 for the 2001/02 and 2.0 for 2002/03 period.

### **(c) Financial efficiency**

The analysis was going to utilise the ratios mentioned on Chapter Four, Section 4.2.3.3 to evaluate the financial performance of the farms but due to the information received from the farms this was not possible.

There was no significant change on the expense structure ratios of the farm. These ratios show that the fixed cash expenses of the farm are less than total cash expenses. Total expenses are greater than the gross farm income of the farm. This could mean that the farm is in trouble as its expenses outweigh its gross farm income.

## **6.4 Chapter summary**

Using the financial information from two farms that could provide this information, the analysis provided the farm's liquidity, solvency and financial efficiency. Both farms showed strains in their liquidity as Farm A was relying on short-term assets while Farm B only showed strains during a certain period. Both farms during the analysis were insolvent. This was to be expected of Farm A as it was facing liquidation. Sporadic financial information availability from the two farms was a challenge as this made it difficult to analyse their financial efficiency and to perform trend analysis. The difficulty under which Farm B operated under could be resulting from the market and/or environmental challenges the farms operate under.



## **CHAPTER SEVEN**

### **CONCLUSIONS AND RECOMMENDATIONS**

#### **7.1 Introduction**

The conclusions from the findings of the study are presented in this chapter. The chapter ends with a discussion of recommendations for the implementation and operation of farmworker equity-sharing schemes in South Africa.

#### **7.2 Conclusions**

Extensive similarities between the case studies were discovered. These similarities included land tenure arrangements, the implementation of the scheme, beneficiaries' understanding and participation in the scheme. The case studies did differ with regard to housing issues and training received by workers.

##### **7.2.1 Institutional arrangements and governance of the farm**

All the farmworker equity-sharing schemes included in this study had different structural and situational aspects. Two of the schemes had already undergone one or two liquidation processes as previous farmworker equity-sharing schemes failed. Farmworkers then utilised commercial loans to buy these farms, this resulting in total farmworker ownership of the farms, Farms A and C. These farms started out with former farm owners and their workers implementing a farmworker equity-sharing scheme.

The first schemes failed and the farms were liquidated, whereupon farmworkers approached the DLA and the bank to buy the farm and have total ownership of the scheme. However, even though these two farms were run by farmworkers at the time of the study, they were on the brink of liquidation due to financial problems.

In the case of Farms B, D and E, the former farm owner was part of the shareholding company of the same farm. The organisational forms of these schemes differed depending on the type of a farmworker equity-sharing scheme existing on the farm. At the completion of this study, Farm D was already being liquidated. However, it is

difficult to conclude that the failure of these schemes could be a result of their institutional arrangements.

#### 7.2.2 Establishment of the scheme

The respondents from all the farms differed greatly in their perceptions of whose idea it had been to implement equity-sharing schemes. It ranged from the manager to the former farm owner to the farmworkers. There were no or few workshops on the farms to introduce farmworker equity-sharing schemes or educate farmworkers about these schemes. If this is the case, how could farmworkers from farms that had never before practiced an equity-sharing scheme initiate such an idea? Although worker representatives were involved in the initial negotiations regarding the implementation of the schemes, there seems to be less communication to the workers about the implementation of the schemes.

#### 7.2.3 Beneficiaries' assessment of the scheme

There were certain similarities between the farms on what motivated them to establish farmworker equity-sharing schemes. On Farm A the main motivation was improving relations, on Farms B, C and E it was improving workers' income, and on Farm D it was improving workers' wealth. Farmworkers from Farm A believed that the scheme was meant to improve worker relations. Although there was a high failure of these schemes on average, most respondents indicated that they would remain shareholders for more than five years. These respondents had their own expectations of the schemes, such as a better future for their children. From the schemes under liquidation, respondents felt that they could make a success of another scheme, as they believed that they had learnt from their mistakes.

#### 7.2.4 Economic aspects

Only one scheme had paid dividends to their workers although some have been in operation for more than eight years. Different reasons were given for this. Some managers indicated that the dividends would be paid in a few months from the date of the interview. Another reason was that there were no dividends expected as they were



still paying off debts. Two schemes had started recently and one of them had already paid dividends in the first few months in operation.

#### 7.2.5 Training and skills transfer

Training provided for committee members and farmworker shareholders was disappointing. On Farm D, for example, none of the interviewed respondents, excluding the manager, had received any training whatsoever. On Farm C, on the other hand, all the respondents had received formal training on all aspects. These respondents also believed that the training was sufficient. Respondents on Farm E indicated that a training programme was going to be implemented to train their beneficiaries.

Some managers complained that government needed to play a bigger role in farmworker equity-sharing schemes, including in training. Without formal training beneficiaries would find it difficult to utilise and benefit from shareholding as they don't understand the purpose and operation of it. This devalues some of the benefits derived from such schemes, such as improved production due to enthusiastic workers. Those that had received training on the farms indicated that they believed that skills transfer had improved since the implementation of the schemes.

#### 7.2.6 Changes on the farms

The study has shown that changes are taking place on the farms due to the implementation of farmworker equity-sharing schemes. Most respondents indicated that changes have been for the better. Respondents on Farms A and D, however, did not experience any changes. Farm C had the highest number of shareholder workers indicating that there were positive changes on the farm. Farm A's negative response could be the result of the liquidation process, which negatively influenced workers' enthusiasm. Farm C was wholly owned by farmworkers and had only recently experienced the liquidation process.

Due to poor record keeping none of the managers could provide information on the changes in absenteeism since the implementation of the scheme. Committee members, on the other hand, indicated that workers were more enthusiastic than before.

However, no additional employees have been appointed in any of the schemes since its implementation.

#### 7.2.7 Housing situation on the farm

Almost all the workers lived on the farms they were employed on. Interestingly, on some of the farms – especially on Farm D, where none of the workers lived on the farm – even the committee members did not live on the farm. Farms that had housing arrangements for their workers provided basic necessities such as tap water, electricity and sanitation. Most of these, excluding electricity, didn't have to be paid for. These arrangements signify improvements in the housing situation on the farms.

#### 7.2.8 Financial aspects

The number of schemes for which financial statements could be obtained indicates the level at which these schemes struggle, even to the point of liquidation. One of the farms for which financial statements could be analysed had already been liquidated. It is difficult to make a conclusion on the state of the farms from their financial analysis as the information provided or acquired was not inclusive of all the required information. However the analyse show that there were periods when the financial situation on the farm would require attention such as in Farm B. Solvency ratios showed that the farm's total liabilities were more than its total assets. The liquidity ratios showed an improvement over the last period as they were on the recommended level which is higher than 2.0.

#### 7.2.9 Other aspects of the farmworker equity-sharing schemes

In general, there are great improvements in the treatment of the farmworkers/beneficiaries from the farms in respect to gender treatment and working conditions on the farms.

### 7.3 Recommendations

The general objectives of financial participation and farmworker equity-sharing schemes in general are for the benefit of all involved. As discussed in the literature



review, a holistic view is necessary to improve the chances for success in farmworker equity-sharing schemes. These schemes are not suppose to be used to mend existing problems; a favourable environment needs to be created beforehand. It has been found that actual skills transfer and empowerment does not take place in all of these schemes. The shortfall is on the conditions under which the LRAD is granted. There are no clear tabulated specifications and recommendations on the training and skills transfer process need to be followed by farms implementing these schemes.

More emphasis also needs to be placed on the real empowerment of the farmworkers in terms of participation in the management, of the farm apart from the general financial benefits that could be derived from the schemes. Because of the embodied psychological effects the exploitative control legacy imposed on the farmworkers over generations, their empowerment could largely depend on the success of breaking their psychological barriers. One of the challenges is to assist the beneficiaries understand what it means to be a shareholder. Illiteracy is one of the main factors in the lack of beneficiaries' understanding of their shareholding status. Employees require constant reinforcement that they are co-owners of the farm/scheme. There needs to be pre-introduction workshops or road shows intended to inform farmworkers about the operation of such a scheme. During the implementation of the scheme, there needs to be a fully integrated training programme for all the shareholders. This should include managerial, financial and soft skills training.

Training could benefit the farmworkers as well as the former farm owner as this drives everyone to work towards a shared common goal. Sharing in a common goal would result in improved motivation, improved production output and improved relations on the farm. Hence other measures that could be used to evaluate the success of these schemes could include management arrangements, the rigour of the planning process, integration of the farm into the global business environment and also if they perceive a better future for their families.

As several factors contribute to the success of farmworker equity-sharing schemes, some of the factors are outside the boundaries of the scheme. Therefore, to position the government and other implementing agencies, one has to consider the strategy used to implement these schemes. According to Havenga and Hobbs (2004) communication is always important – the level of information, consultation, negotiation and lobbying can have an important impact on strategy. Communication

means more than simply communicating the goal to the workers; shareholders need to communicate the strategy to be used to achieve the goals of the scheme. Therefore these schemes should be designed and implemented through a committed effort to find common ground between values of key stakeholders to align work and pay.



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**APPENDIX A: Management questionnaire****Confidentiality status**

I would like to assure you that the information you are about to give now would be treated with the strictest confidentiality.

Most of the information required on this questionnaire pertains to the equity sharing scheme as such and not necessarily to the entire business. Thank you.

**PART 1: SOCIAL AND OTHER ASPECTS**

1. Gender of the respondent Male ☐ Female ☐
2. Name of the respondent .....
3. Which position do you hold in the business involved in this equity sharing scheme?

1	Manager(ess)	
2	Manager and former owner	
3	Other	

If "Other", please specify .....

4. In which year did the farm start with this equity sharing scheme? .....
5. Who initiated the equity sharing scheme on this farm?

1	Former farm owner or manager(ess)	
2	Farmworkers	
3	Government	
4	Don't know	
5	Other	

If "Other", please specify .....

6. Was there any formal negotiation phase in the initiation of this equity sharing scheme between the former farm owner and the farmworkers?

Yes		No	
-----	--	----	--

7. Was there any representative for farmworkers in those negotiations?

Yes		No	
-----	--	----	--

8. Please indicate whether each of the following factors was a motivation for the establishment of this equity sharing scheme?

		Yes	No
1	To improve productivity		
2	To improve workers' income		
3	To improve workers' wealth		
4	To improve job security		
5	To improve relations (between management and workers)		
6	To improve worker loyalty and create a more stable labour force		
7	To empower workers through skills transfer		
8	Other		

If "Other", please specify .....

9. Which of the factors mentioned in question 8 above was the most important motivation for establishing this equity sharing scheme? .....

10. Please indicate whether each of the following factors motivated you to join the equity sharing scheme on this farm?

1	Long-term security of employment	Yes	No
2	Expected increase in income		
3	Expected increase in wealth		
4	Retirement saving		
5	Skills transfer		
6	Don't know		
7	You were forced by someone else to join		
8	Other		

If "Other", please specify .....

11. Are the objectives for establishing the equity sharing scheme on this farm achieved?

Yes		No	
-----	--	----	--

- (a) If your answer is "No", in question 11 above, please give a reason(s) for your answer.

.....

12. Which assets of the farm are included in the equity sharing scheme on this farm?

1. ....  
2. ....

13. Who initially financed these assets included in this equity sharing scheme?

		Yes	No	Percentage contribution
1	Own capital (farm owner)			
2	Farmworkers' capital			
3	Land grants			
4	Commercial bank			
5	Other financiers			

14. What is the organisational form of the equity sharing scheme on this farm?

		Yes	No
1	Company		
2	Trust		
3	Close cooperation		
4	Other		

15. What is the organisational structure of the parties involved in the equity sharing scheme on this farm?

		Percentage share	Organisational form
1	Original farm owner		
2	Farmworkers		
3	Government representative		
4	Union representative		
5	Third party shareholder		
6	Other		

If "Other", please specify .....

- (a) Are these shares tradable?

Yes		No	
-----	--	----	--

- (i) If your answer is "Yes", in question 15(a) above, what is the procedure?

.....

- (ii) If your answer was "No", in question 15(a) above, are you satisfied with the situation?

Yes		No	
-----	--	----	--

- (iii) If your answer is "No", in question 15(ii) above, what are you going to do about it?

.....



(b) Are shareholders allowed to exit the equity sharing scheme on this farm at their own convenient time?

Yes		No	
-----	--	----	--

16. Please indicate which of the following criteria were used to qualify as a shareholder?

		Yes	No
1	Number of years working on this farm		
2	Age		
3	Gender		
4	Education level		
5	Permanency of work		
6	Other		

If "Other", please specify .....

17. Were there any farmworkers who did not want to participate initially in the equity sharing scheme on this farm?

Yes		No	
-----	--	----	--

(a) If your answer is "Yes", in question 17 above, are there any farmworkers who changed their opinion and want to participate at this stage?

Yes		No	
-----	--	----	--

18. Are there any farmworker representatives in the equity sharing scheme on this farm?

Yes		No	
-----	--	----	--

(a) How did they become worker representatives?

		Yes	No
1	Selected by management		
2	Elected by workers		
3	Volunteered		
4	Other		

If "Other", please specify .....

(b) How many farmworker representatives are males and how many are females?

	Gender	Number
1	Male	
2	Female	

19. What portfolio members are on the board of directors?

	Portfolio	Number of members
1		
2		
3		
4		

20. How many farmworkers are shareholders in the equity sharing scheme on this farm?

	Initially	At present
Men		
Women		

21. How many permanent farmworkers are employed in the equity sharing scheme on this farm?

	Year	Farm workers	Foreman	Managers	Others
1	2000/01				
2	2001/02				
3	2002/03				

22. How many casual farmworkers are employed in the equity sharing scheme on this farm?

	Year	Farm workers	Foreman	Managers	Others
1	2000/01				
2	2001/02				
3	2002/03				

23. How many days were recorded for absenteeism?

	Year	Farm workers	Foreman	Managers	Others
1	2000/01				
2	2001/02				
3	2002/03				

24. Since the inception of the equity sharing scheme on this farm, how many permanent farmworkers have been employed, retrenched and or resigned?

		Number employed	Number retrenched	Number resigned
1	2000/01			
2	2001/02			
3	2002/03			

25. Did the farmworkers receive training on how an equity sharing scheme operate?

Yes		No	
-----	--	----	--

(a) If your answer is "Yes", in question 25 above, what kind of training?

		Yes	No
1	Financial aspects		
2	Managerial aspects		
3	Other		

If "Other", please specify .....

(b) Was the training offered by one of the farm managerial personnel (informal training)?

Yes		No	
-----	--	----	--

(c) Was the training offered by a private institution (formal training)?

Yes		No	
-----	--	----	--

(d) If your answer was "Yes", in question 25 above, do you think the training they received was sufficient with respect to the understanding of the operations of the equity sharing scheme on this farm?

Yes		No	
-----	--	----	--

(e) If your answer was "No", in question 25 above, why?

.....

(f) Are you aware of the existence of the Rural Foundation in Stellenbosch (now known as the Centre for Integrated Rural Development based in Bellville)?

Yes		No	
-----	--	----	--

(g) If your answer is "Yes", in question 25(f) above, were your farmworkers involved in their programmes?

Yes		No	
-----	--	----	--



26. Which decisions are the farmworker shareholders capable of influencing on the equity sharing scheme on this farm?

		Yes	No
1	Day-to-day operations of the farm		
2	Wages		
3	Working conditions		
4	Health issues		
5	Housing issues		
6	Other		

If "Other", please specify .....

27. Please indicate which of the following are included on the farmworkers' remuneration?

		Yes	No
1	Wages: Day..... Week..... Month.....		
2	Yearly bonus		
3	Yearly fixed bonus		
4	Performance bonus		
5	Other		

If "Other", please specify .....

28. Have the farmworkers received any dividends or other financial benefits since the implementation of the scheme?

		Yes	No
1	Dividends		
2	Other financial benefits		

- (a) If your answer is "No", in question 28 above, why? Please specify.

.....  
.....

- (b) If your answer was "Yes", in question 28 above, when did this equity sharing scheme start paying?

.....

- (c) How are the dividends or other financial benefits paid out?

		Yes	No
1	Cash payouts		
2	Down payment		
3	Reinvested on the farm		
4	Other		

If "Other", please specify .....

29. Is there any difference in the treatment based on the same work due to gender?

Yes		No	
-----	--	----	--

- (a) Is there any wage difference due to gender based on the same work?

Yes		No	
-----	--	----	--

- (b) If your answer is "Yes", in question 29(a) above, please give a reason(s) for your answer.

.....  
.....

30. Where are the permanent farmworkers staying?

.....

- (a) If they are staying on the farm, are there any contractual arrangements for houses regarding farmworkers on the equity sharing scheme on this farm?

Yes		No	
-----	--	----	--

(b) If your answer is “Yes”, in question 30(a) above, please specify.

.....  
 .....

(c) What is the number of the permanent farmworkers staying on the farm?

	Permanent	Number employed	Number staying on the farm
1	Shareholders		
2	Non-shareholders		

(d) How many permanent farmworker family households are on the farm?

		Number of family households
1	Shareholder farmworkers	
2	Non-shareholder farmworkers	

(e) How many new houses were built after the implementation of the equity sharing scheme?

.....

(f) How many farmworker houses are on the farm?

.....

(g) Please indicate the number of the houses that have the following:

		Number	Do farmworkers pay for these? Yes or No (Y/N)
1	Electricity		
2	Sanitation		
3	Tap water		

(h) Are you staying on the farm?

Yes		No	
-----	--	----	--

(i) If your answer is “Yes”, in question 30(h) above, how is the house contracted to you?

.....  
 .....

31. Since the inception of the equity sharing scheme on this farm, how has the following changed?

	ITEM	Better	Worse	No change
1	Health issues			
2	Education			
3	Housing			
4	Working conditions			
5	Food security			
6	Authoritative power (influence decisions)			
7	Employment security			
8	Trust			
9	Skills			
10	Gender (male to female workers) treatment based on the same work			
11	Relationship with owner			

32. What is your opinion about worker productivity since the inception of the equity sharing scheme on this farm

	Increased	Decreased	Don't know
Labour productivity			

(a) Please give a reason for your answer in question 32.

.....  
 .....

33. Are there any health services provided on the farm?

Yes		No	
-----	--	----	--



(a) If your answer is "Yes", in question 33 above, how are these services provided?

.....  
 .....

34. How would you define the communication between you and the farmworkers?

Good		Satisfactory		Deteriorating		Bad	
------	--	--------------	--	---------------	--	-----	--

35. Are the farmworkers given clear instructions for their work?

Yes		No	
-----	--	----	--

36. Are the farmworkers doing work that is detrimental to their health?

Yes		No	
-----	--	----	--

37. Is there any protective gear given to workers to protect them when working with hazardous material?

Yes		No	
-----	--	----	--

38. Do the farmworkers have restroom facilities on the farm?

Yes		No	
-----	--	----	--

39. Are the farmworkers allowed to affiliate to a union?

Yes		No	
-----	--	----	--

40. Are there any negative or positive aspects you would like to comment on about the equity sharing scheme on this farm?

Yes		No	
-----	--	----	--

(a) If your answer is "Yes", in question 40 above, please comment.

(i) Positive comments:

.....  
 .....

(ii) Negative comments:

.....  
 .....

## **PART B: FINANCIAL ASPECTS**

1. What is the total size of the farm included in this equity sharing scheme? .....
2. What is the land use of the farm included in this equity sharing scheme? .....

	Land use	Hectares
1	Cultivated irrigated land	
2	Cultivated dryland	
3	Farm yard and waste land	
4	Veld	
5	Other	

3. If the farm was purchased, what was the value and purchase price of the land and fixed improvements?

		Value (R)	Purchase Price (R)	Date of purchase
1	Land			
2	Fixed improvements			

4. Number of enterprises .....  
5. Main enterprise .....  
6. Do you have livestock in the equity sharing scheme on this farm? .....

Yes		No	
-----	--	----	--

7. Operating enterprises in the equity sharing scheme on this farm.

	Irrigated/Dryl and	Bearing (ha)	Non-bearing (ha)
Enterprise 1			
Enterprise 2			
Enterprise 3			
Enterprise 4			
Enterprise 5			

8. Please give an indication of the cultivar composition of the various enterprises on the equity sharing scheme on this farm.

[illegible]



	Enterprise (Irrigated/ Dryland/)						Enterprise (Irrigated/ Dryland/)					
	Bearing			Non-bearing			Bearing			Non-bearing		
	2000/01	2001/02	2003/04	2000/01	2001/02	2002/03	00/01	01/02	02/03	00/01	01/02	02/03
Area												
No of trees												
Yield												
Crop sales												
- Export												
- Local												
- Other												
Other income												
<i>Directly allocable variable costs</i>												
Fertiliser												
Herbicides												
Pesticides												
Fungicides												
Casual Labour												
Packaging												
Marketing												
Total specified variable costs												
Margin above specified allocable variable costs												

	<b><i>Livestock enterprise</i></b>		
	2000/01	2001/02	2002/03
<i>Product income:</i>			
- Gross sales of livestock products			
- Insurance received			
- Produce consumed			
- Internal transfers			
-Closing stock			
-(minus) Opening stock			
<i>Trading income</i>			
- Gross sales of livestock			
- Insurance received			
- Other direct receipts			
- Slaughtered livestock			
(minus) Purchased livestock			
<i>Inventory change</i>			
- Closing value of livestock			
-Internal transfers to other livestock			
- (minus) Opening value			
- (minus) Internal transfers from other livestock			
<i>Gross Value of Production</i>			
<i>Directly allocable variable costs</i>			
Purchased feed and supplements			
A.I.			
Veterinary expenses			
Casual labour			
Total specified variable costs			
Margin above specified allocable variable costs			

## INCOME STATEMENT

	2000/01	2001/02	2002/03
Gross value of production:			
- Crops: Irrigated.....	.....	.....	.....
Dryland.....	.....	.....	.....
Livestock.....	.....	.....	.....
Other.....	.....	.....	.....
Costs:			
- Wages: Managerial.....	.....	.....	.....
Labour.....	.....	.....	.....
- Depreciation .....	.....	.....	.....
- Interest paid.....	.....	.....	.....
- Other unspecified costs.....	.....	.....	.....
	.....	.....	.....
Net farm income .....	.....	.....	.....
- Operating profit.....	.....	.....	.....
- Non-farm income.....	.....	.....	.....
- Income before taxes.....	.....	.....	.....
- Income taxes.....	.....	.....	.....
- Net income after tax.....	.....	.....	.....



# BALANCE SHEET

## Assets

	2000/01 (R)	2001/02 (R)	2002/03 (R)
Current assets			
- Cash & other receipts	.....	.....	.....
- Stock on hand	.....	.....	.....
- Animal feed on stock	.....	.....	.....
- All other current assets	.....	.....	.....
Total current assets	.....	.....	.....
Intermediate assets			
- Machinery and equipment	.....	.....	.....
- Breeding livestock	.....	.....	.....
- All other intermediate assets	.....	.....	.....
Total intermediate assets	.....	.....	.....
Fixed assets			
Land	.....	.....	.....
Fixed improvements	.....	.....	.....
Total fixed assets	.....	.....	.....
<i>Total assets</i>	.....	.....	.....
Liabilities			
Current liabilities			
Outstanding cheques	.....	.....	.....
Bank overdraft	.....	.....	.....
All other current liabilities	.....	.....	.....
<i>Total current liabilities</i>	.....	.....	.....
Intermediate liabilities			
Machinery loan	.....	.....	.....
All other intermediate liabilities	.....	.....	.....
Total intermediate liabilities	.....	.....	.....
Long-term liabilities			
Mortgage loans	.....	.....	.....
All other long-term liabilities	.....	.....	.....
Total long-term liabilities	.....	.....	.....
Net worth	.....	.....	.....

**THANK YOU!**

**APPENDIX B: Committee/board of trustees' questionnaire**

Confidentiality status

I would like to assure you that the information you are about to give now would be treated with the strictest confidentiality. Thank you.

1. Gender of the respondent Male ☐ Female ☐
2. Name of the respondent .....
3. How long have you been working on this farm? .....year(s)
4. Which position do you hold on this farm? .....
5. How long have you been in this position? .....year(s)
6. Do you have a contractual work arrangement with the farm?

Yes		No	
-----	--	----	--

7. Who initiated the equity sharing scheme on this farm?

1	Former farm owner or manager(ess)	
2	Farmworkers	
3	Government	
4	Don't know	
5	Other	

If "Other", please specify .....

8. Please indicate whether each of the following factors was a motivation for the establishment of this equity sharing scheme?

		Yes	No
1	To improve productivity		
2	To improve workers' income		
3	To improve workers' wealth		
4	To improve job security		
5	To improve relations (between management and workers)		
6	To improve worker loyalty and create a more stable labour force		
7	To empower workers through skills transfer		
8	Other		

If "Other", please specify .....

9. Which of the factors mentioned in question 8 above was the most important motivation for establishing this equity sharing scheme?

.....

10. How did you hear about the equity sharing scheme on this farm?

1	Communicated to you by management	
2	From worker representatives	
3	From other farmworkers	
4	Other	

If "Other", please specify .....



11. Please indicate whether each of the following factors motivated you to join the equity sharing scheme on this farm?

		Yes	No
1	Long-term security of employment		
2	Expected increase in income		
3	Expected increase in wealth		
4	Retirement saving		
5	Skills transfer		
6	Don't know		
7	You were forced by someone else to join		
8	Other		

If "Other", please specify .....

12. Have you ever participated in an equity sharing scheme before?

Yes		No	
-----	--	----	--

13. Do you feel that it was the right decision to join the equity sharing scheme on this farm?

Yes		No	
-----	--	----	--

(a) If your answer is "No", in question 13 above, please give a reason(s) for your answer.

.....

(b) If your answer was "Yes", in question 13 above, please give a reason(s) for your answer.

.....

14. Do you know of any benefits from the equity sharing scheme on this farm to the following:

		Yes	No
1	Yourself		
2	Former farm owner		
3	Shareholder farmworkers		
4	Other		

If "Other", please specify .....

15. Do you have expectations from the equity sharing scheme on this farm?

Yes		No	
-----	--	----	--

(a) If your answer is "Yes", in question 15 above, what are your expectations?

.....

(b) Is the management aware of these expectations?

Yes		No	
-----	--	----	--

(c) Do you think you will be able to achieve these expectations by having joined the equity sharing scheme on this farm?

Yes		No	
-----	--	----	--

(i) If your answer is "No", in question 15(c) above, please give a reason(s) for your answer.

.....

(ii) If your answer was "Yes", in question 15(c) above, please give a reason(s) for your answer.

.....

16. How did you become a worker representative?

		Yes	No
1	Selected by management		
2	Elected by workers		
3	Volunteered		
4	Other		

If "Other", please specify .....

(a) How many representatives are males and how many are females?

	Gender	Number
1	Male	
2	Female	

(b) Which decisions are you involved in, in the equity sharing scheme on this farm?

		Yes	No
1	Financial aspects		
2	Strategic planning		
3	Day-to-day operations		
4	Technical aspects (purchasing and marketing)		
5	Other		

If "Other", please specify .....

(c) Have you ever made any suggestions to the management?

Yes		No	
-----	--	----	--

(i) If your answer is "Yes", in question 16(c) above, have your suggestions been taken?

Yes		No	
-----	--	----	--

(ii) If your answer is "Yes", in question 16(c)(i) above, did the management respond to your suggestions?

Yes		No	
-----	--	----	--

(d) How many times do you meet as worker representatives?

.....times a .....

(e) What are the meetings mostly about?

.....  
.....

(f) In your own opinion do you think that labour productivity has increased since the inception of the equity sharing scheme on this farm?

Yes		No	
-----	--	----	--

(i) Please give a reason for your answer in question 16(f) above.

.....  
.....

(g) In your own opinion do you think farmworkers in the equity sharing scheme on this farm work harder than before the implementation of the scheme?

Yes		No	
-----	--	----	--

(i) Please give a reason for your answer in question 16(g) above.

.....  
.....

17. For how long do you want to remain a shareholder in the equity sharing scheme on this farm?

.....year(s)

18. Are you allowed to exit the equity sharing scheme on this farm at your own convenient time?

Yes		No	
-----	--	----	--



19. Since the inception of the equity sharing scheme on this farm, how has the following changed?

	ITEM	Better	Worse	No change
1	Health issues			
2	Education			
3	Housing			
4	Working conditions			
5	Food security			
6	Authoritative power (influence decisions)			
7	Employment security			
8	Trust			
9	Skills			
10	Gender (male to female workers) treatment based on the same work			
11	Relationship with owner			

20. Which decisions do you feel like you are capable of influencing on the equity sharing scheme on this farm as a worker shareholder?

		Yes	No
1	Day-to-day operations of the farm		
2	Wages		
3	Working conditions		
4	Employment issues		
5	Health issues		
6	Other		

If "Other", please specify .....

21. Did you receive training on how an equity sharing scheme operates?

Yes		No	
-----	--	----	--

(a) If your answer is "Yes", in question 21 above, what kind of training?

		Yes	No
1	Financial aspects		
2	Managerial aspects		
3	Other		

If "Other", please specify .....

(b) Was this training offered by one of the farm managerial personnel (informal training)?

Yes		No	
-----	--	----	--

(c) Or was the training offered by a private institution (formal training)?

Yes		No	
-----	--	----	--

(d) If your answer was "Yes", in question 21 above, do you think that the training you received was sufficient with respect to the understanding of the operations of the equity sharing scheme on this farm?

Yes		No	
-----	--	----	--

22. Please indicate which of the following are included on your remuneration?

		Yes	No
1	Wages: Daily..... Weekly..... Monthly.....		
2	Yearly bonus		
3	Performance bonus		
4	Other		

If "Other", please specify .....

23. Have you received any dividends or other financial benefits since the implementation of the scheme?

		Yes	No
1	Dividends		
2	Other financial benefits		

(a) If your answer is "No", in question 23 above, why? Please explain.

.....

(b) If your answer was "Yes", in question 23 above, when did this equity sharing scheme start paying?

.....

(c) How are your dividends or other financial benefits paid out?

		Yes	No
1	Cash payouts		
2	Down payment		
3	Reinvested on the farm		
4	Other		

If "Other", please specify .....

24. Is there any difference in treatment based on the same work due to gender?

Yes		No	
-----	--	----	--

(a) Is there any wage difference due to gender based on the same work?

Yes		No	
-----	--	----	--

(b) If your answer is "Yes", in question 24(a) above, please give a reason(s) for your answer.

.....

25. Do you stay on the farm?

Yes		No	
-----	--	----	--

(a) If your answer is "Yes", in question 25 above, how big is your house that you stay in?

.....Rooms

(b) How is the house contracted to you?

		Yes	No
1	Leased		
2	Borrowed		
3	Owned		
4	Other		

If "Other", please specify .....

(c) Does the house have the following:

		Yes	No	Do you pay for these? Yes or No (Y/N)
1	Electricity			
2	Sanitation			
3	Tap water			

(d) Is there anybody staying with you in the house?

Yes		No	
-----	--	----	--



(e) If your answer is Yes in question 25(d) above, how is this person/these people related to you?

		Number
1	Spouse	
2	Children	
3	Parents	
4	Other	

26. Are your school aged children going to school?

Yes		No	
-----	--	----	--

(a) If your answer is "No", in question 26 above, please give a reason(s) for your answer.

.....

.....

(b) If your answer was "Yes", in question 26 above, where is the school situated?

		Yes	No
1	On the farm		
2	Settlement area		
3	In town		
4	Other		

If "Other", please specify.....

(c) If the school is not on the farm, is the transport provided for them?

Yes		No	
-----	--	----	--

(d) If your answer is "Yes", in question 26(c) above, are you paying for the transport?

Yes		No	
-----	--	----	--

27. Are there any health services provided on the farm?

Yes		No	
-----	--	----	--

(a) If your answer is "Yes", in question 27 above, how are these services provided?

.....

.....

28. Do you feel like your direct manager(ess) is approachable?

Yes		No	
-----	--	----	--

29. Are you given clear instructions for your work?

Yes		No	
-----	--	----	--

30. Are you doing work that is detrimental to your health?

Yes		No	
-----	--	----	--

31. Is there any protective gear given to workers to protect them when working with hazardous material?

Yes		No	
-----	--	----	--

32. How would you define communication with your direct manager(ess)?

Good		Satisfactory		Deteriorating		Bad	
------	--	--------------	--	---------------	--	-----	--

33. Do you have restroom facilities on the farm?

Yes		No	
-----	--	----	--

34. Are you affiliates to a union?

Yes		No	
-----	--	----	--

35. Are there any negative or positive aspects you would like to comment on about the equity sharing scheme on this farm?

Yes		No	
-----	--	----	--

(a) If your answer is “Yes”, in question 35 above, please comment.

(i) Positive comments:

.....  
.....

(ii) Negative comments:

.....  
.....

**THANK YOU!!!**



**APPENDIX C: Shareholder questionnaire**

Confidentiality status

I would like to assure you that the information you are about to give now would be treated with the strictest confidentiality. Thank you.

1. Gender of the respondent Male ☐ Female ☐
2. Name of the respondent .....
3. How long have you been working on this farm? .....year(s)
4. Which position do you hold on this farm? .....
5. How long have you been in this position? .....year(s)
6. Do you have a contractual work arrangement with the farm?

Yes	<input type="checkbox"/>	No	<input type="checkbox"/>
-----	--------------------------	----	--------------------------

7. Who initiated the equity sharing scheme on this farm?

1	Former farm owner or manager(ess)	
2	Farmworkers	
3	Government	
4	Don't know	
5	Other	

If "Other", please specify .....

8. Please indicate whether each of the following factors was a motivation for the establishment of this equity sharing scheme.

		Yes	No
1	To improve productivity		
2	To improve workers' income		
3	To improve workers' wealth		
4	To improve job security		
5	To improve relations (between management and workers)		
6	To improve worker loyalty and create a more stable labour force		
7	To empower workers through skills transfer		
8	Other		

If "Other", please specify .....

9. Which of the factors mentioned in question 8 above was the most important motivation for establishing this equity sharing scheme?

.....

10. How did you hear about the equity sharing scheme on this farm?

1	Communicated to you by management	
2	From worker representatives	
3	From other farmworkers	
4	Other	

If "Other", please specify .....

11. Please indicate whether each of the following factors motivated you to join the equity sharing scheme on this farm?

		Yes	No
1	Long-term security of employment		
2	Expected increase in income		
3	Expected increase in wealth		
4	Retirement saving		
5	Skills transfer		
6	Don't know		
7	You were forced by someone else to join		
8	Other		

If "Other", please specify .....

12. Have you ever participated in an equity sharing scheme before?

Yes		No	
-----	--	----	--

13. Do you feel that it was the right decision to join the equity sharing scheme on this farm?

Yes		No	
-----	--	----	--

(a) If your answer is "No", in question 13 above, please give a reason(s) for your answer.

.....

(b) If your answer was "Yes", in question 13 above, please give a reason(s) for your answer.

.....

14. Do you know of any benefits from the equity sharing scheme on this farm to the following:

	Yes	No
Yourself		
Former farm owner		
Shareholder farmworkers		
Other		

If "Other", please specify .....

15. Do you have expectations from the equity sharing scheme on this farm?

Yes		No	
-----	--	----	--

(a) If your answer is "Yes", in question 15 above, what are your expectations?

.....

(b) Is the management aware of these expectations?

Yes		No	
-----	--	----	--

(c) Do you think you will be able to achieve these expectations by having joined the equity sharing scheme on this farm?

Yes		No	
-----	--	----	--

(i) If your answer is "No", in question 15(c) above, please give a reason(s) for your answer.

.....

(ii) If your answer was "Yes", in question 15(c) above, please give a reason(s) for your answer.

.....

16. Do you have worker representatives on the farm representative body representing your interests on the equity sharing scheme on this farm?

Yes		No	
-----	--	----	--

(a) If your answer is "Yes", in question 16 above, are your representatives representing you in a satisfactory way?

Yes		No	
-----	--	----	--

(i) If your answer is "No", in question 16(a) above, please give a reason(s) for your answer.

.....

(b) Have you ever made any suggestions to the management through your worker representatives?

Yes		No	
-----	--	----	--



(i) If your answer is “Yes”, in question 16(b) above, have your suggestions been accepted by the representatives?

Yes		No	
-----	--	----	--

(ii) Do you receive report back from your worker representatives on the response of the management for the suggestions you make?

Yes		No	
-----	--	----	--

(iii) If your answer is “Yes”, in question 16(b)(ii) above, did the management respond to your suggestions?

Yes		No	
-----	--	----	--

17. For how long do you want to remain a shareholder in the equity sharing scheme on this farm?

.....year(s)

18. Are you allowed to exit the equity sharing scheme on this farm at your own convenient time?

Yes		No	
-----	--	----	--

19. Since the inception of the equity sharing scheme on this farm, how has the following changed?

	ITEM	Better	Worse	No change
1	Health issues			
2	Education			
3	Housing			
4	Working conditions			
5	Food security			
6	Authoritative power (influence decisions)			
7	Employment security			
8	Trust			
9	Skills			
10	Gender (male to female workers) treatment based on the same work			
11	Relationship with owner			

20. Which decisions do you feel like you are capable of influencing on the equity sharing scheme on this farm?

		Yes	No
1	Day-to-day operations of the farm		
2	Wages		
3	Working conditions		
4	Employment issues		
5	Health issues		
6	Other		

If “Other”, please specify .....

21. Did you receive training on how an equity sharing scheme operates?

Yes		No	
-----	--	----	--

(a) If your answer is “Yes”, in question 21 above, what kind of training?

		Yes	No
1	Financial aspects		
2	Managerial aspects		
3	Other		

If “Other”, please specify .....

(b) Was this training offered by one of the farm managerial personnel (informal training)?

Yes		No	
-----	--	----	--

(c) Or was the training offered by a private institution (formal training)?

Yes		No	
-----	--	----	--

- (d) If your answer was "Yes", in question 21 above, do you think that the training you received was sufficient with respect to the understanding of the operations of the equity sharing scheme on this farm?

Yes		No	
-----	--	----	--

22. Please indicate which of the following are included on your remuneration?

		Yes	No
1	Wages: Daily.....		
	Weekly.....		
	Monthly.....		
2	Yearly bonus		
3	Performance bonus		
4	Other		

If "Other", please specify .....

23. Have you received any dividends or other financial benefits since the implementation of the scheme?

		Yes	No
1	Dividends		
2	Other financial benefits		

(a) If your answer is "No", in question 23 above, why? Please explain.

.....  
 .....

(b) If your answer was "Yes", in question 23 above, when did this equity sharing scheme start paying?

.....

(c) How are your dividends or other financial benefits paid out?

		Yes	No
1	Cash payouts		
2	Down payment		
3	Reinvested on the farm		
4	Other		

If "Other", please specify .....

24. Is there any difference in treatment based on the same work due to gender?

Yes		No	
-----	--	----	--

(a) Is there any wage difference due to gender based on the same work?

Yes		No	
-----	--	----	--

(b) If your answer is "Yes", in question 24(a) above, please give a reason(s) for your answer.

.....  
 .....

25. Do you stay on the farm?

Yes		No	
-----	--	----	--

(a) If your answer is "Yes", in question 25 above, how big is your house that you stay in?

.....Rooms

(b) How is the house contracted to you?

		Yes	No
1	Leased		
2	Borrowed		
3	Owned		
4	Other		

If "Other", please specify .....



(c) Does the house have the following:

		Yes	No	Do you pay for these? Yes or No (Y/N)
1	Electricity			
2	Sanitation			
3	Tap water			

(d) Is there anybody staying with you in the house?

Yes		No	
-----	--	----	--

(e) If your answer is "Yes", in question 25(d) above, how is this person/these people related to you?

		Number
1	Spouse	
2	Children	
3	Parents	
4	Other	

26. Are your school aged children going to school?

Yes		No	
-----	--	----	--

(a) If your answer is "No", in question 26 above, please give a reason(s) for your answer.

.....

(b) If your answer was "Yes", in question 26 above, where is the school situated?

		Yes	No
1	On the farm		
2	Settlement area		
3	In town		
4	Other		

If "Other", please specify.....

(c) If the school is not on the farm, is the transport provided for them?

Yes		No	
-----	--	----	--

(d) If your answer is "Yes", in question 26(c) above, are you paying for the transport?

Yes		No	
-----	--	----	--

27. Are there any health services provided on the farm?

Yes		No	
-----	--	----	--

(a) If your answer is "Yes", in question 27 above, how are these services provided?

.....

28. Do you feel like your direct manager(ess) is approachable?

Yes		No	
-----	--	----	--

29. Are you given clear instructions for your work?

Yes		No	
-----	--	----	--

30. Are you doing work that is detrimental to your health?

Yes		No	
-----	--	----	--

31. Is there any protective gear given to workers to protect them when working with hazardous material?

Yes		No	
-----	--	----	--

32. How would you define communication with your direct manager(ess)?

Good		Satisfactory		Deteriorating		Bad	
------	--	--------------	--	---------------	--	-----	--

33. Do you have restroom facilities on the farm?

Yes		No	
-----	--	----	--

34. Are you affiliates to a union?

Yes		No	
-----	--	----	--

35. Are there any negative or positive aspects you would like to comment on about the equity sharing scheme on this farm?

Yes		No	
-----	--	----	--

(a) If your answer is “Yes”, in question 35 above, please comment.

(i) Positive comments:

.....

.....

.....

(ii) Negative comments:

.....

.....

.....

**THANK YOU!!!**



**APPENDIX C: Non-shareholder questionnaire**

Confidentiality status

I would like to assure you that the information you are about to give now would be treated with the strictest confidentiality. Thank you.

1. Gender of the respondent Male ☐ Female ☐
2. Name of the respondent .....
3. How long have you been working on this farm? .....year(s)
4. Which position do you hold on this farm? .....
5. How long have you been in this position? .....year(s)
6. Do you have a contractual work arrangement with the farm?

Yes		No	
-----	--	----	--

7. Do you know anything about the equity sharing scheme on this farm?

Yes		No	
-----	--	----	--

*If your answer is "No", in question 7 above, please go to question 18.**If your answer was "Yes", in question 7 above, please continue with question 8 below.*

8. How did you hear about the equity sharing scheme on this farm?

1	Communicated to you by management	
2	From worker representatives	
3	From other farmworkers	
4	Other	

If "Other", please specify .....

9. Who initiated the equity sharing scheme on this farm?

1	Former farm owner or manager(ess)	
2	Farmworkers	
3	Government	
4	Don't know	
5	Other	

If "Other", please specify .....

10. Please indicate whether each of the following factors was a motivation for the establishment of this equity sharing scheme?

		Yes	No
1	To improve productivity		
2	To improve workers' income		
3	To improve workers' wealth		
4	To improve job security		
5	To improve relations (between management and workers)		
6	To improve worker loyalty and create a more stable labour force		
7	To empower workers through skills transfer		
8	Other		

If "Other", please specify .....

11. Which of the factors mentioned in question 10 above was the most important motivation for establishing this equity sharing scheme?

.....

12. Have you ever participated in an equity sharing scheme before?

Yes		No	
-----	--	----	--

13. Why didn't you join the equity sharing scheme on this farm?

.....  
 .....

14. Do you know of any benefits to you from the equity sharing scheme on this farm tot the following:

		Yes	No
	Yourself		
	Former farm owner		
	Shareholder farmworkers		
	Other		

If "Other", please specify .....

15. Given the experience with this equity sharing scheme would you like to join this scheme now?

Yes		No	
-----	--	----	--

(a) If your answer is "Yes", in question 15 above, why would you like to join the equity sharing scheme on this farm now?

.....

(b) If your answer was "No", in question 15 above, please give a reason(s) for your answer.

.....  
 .....

16. Do you have expectations from the equity sharing scheme on this farm?

Yes		No	
-----	--	----	--

(a) If your answer is "Yes", in question 16 above, what are your expectations?

.....

(b) Is the management aware of your expectations?

Yes		No	
-----	--	----	--

(c) Do you think you will be able to achieve these expectations by joining the equity sharing scheme on this farm?

Yes		No	
-----	--	----	--

(i) If your answer is "No", in question 16(c) above, please give a reason(s) for your answer.

.....

(ii) If your answer was "Yes", in question 16(c) above, please give a reason(s) for your answer.

.....

17. Since the inception of the equity sharing scheme on this farm, how has the following changed?

	ITEM	Better	Worse	No change
1	Health issues			
2	Education			
3	Housing			
4	Working conditions			
5	Food security			
6	Authoritative power (influence decisions)			
7	Employment security			
8	Trust			
9	Skills			
10	Gender (male to female workers) treatment based on the same work			
11	Relationship with owner			



18. Which decisions do you feel like you are capable of influencing on this farm?

		Yes	No
1	Day-to-day operations of the farm		
2	Wages		
3	Working conditions		
4	Health issues		
5	Housing issues		
6	Other		

If "Other", please specify .....

19. Please indicate which of the following are included on your remuneration?

		Yes	No
1	Wages: Daily..... Weekly..... Monthly.....		
2	Yearly bonus		
3	Performance bonus		
4	Other		

If "Other", please specify .....

20. Is there any difference in treatment based on the same work due to gender?

Yes		No	
-----	--	----	--

(a) Is there any wage difference due to gender based on the same work?

Yes		No	
-----	--	----	--

(b) If your answer is "Yes", in question 22(a) above, please give a reason(s) for your answer.

.....  
.....

21. Do you stay on the farm?

Yes		No	
-----	--	----	--

(a) If your answer is "Yes", in question 23 above, how big is your house that you stay in?  
.....Rooms

(b) How is the house contracted to you?

		Yes	No
1	Leased		
2	Borrowed		
3	Other		

If "Other", please specify .....

(c) Does the house have the following?

		Yes	No	Do you pay for these? Yes or No (Y/N)
1	Electricity			
2	Sanitation			
3	Tap water			

(d) Is there anybody staying with you in the house?

Yes		No	
-----	--	----	--

(e) If your answer is “Yes”, in question 23(d) above, how is this person/these people related to you?

		Number
1	Spouse	
2	Children	
3	Parents	
4	Other	

22. Are your school aged children going to school?

Yes		No	
-----	--	----	--

(a) If your answer is “No”, in question 24 above, please give a reason(s) for your answer.

.....

(b) If your answer was “Yes”, in question 24 above, where is the school situated?

		Yes	No
1	On the farm		
2	Dwelling area		
3	In town		
4	Other		

If “Other”, please specify.....

(c) If the school is not on the farm, is the transport provided for them?

Yes		No	
-----	--	----	--

(d) If your answer is “Yes”, in question 24(c) above, are you paying for the transport?

Yes		No	
-----	--	----	--

23. Are there any health services provided on the farm?

Yes		No	
-----	--	----	--

(a) If your answer is “Yes”, in question 25 above, how are these services provided?

.....

24. Do you feel like your direct manager(ess) is approachable?

Yes		No	
-----	--	----	--

25. Are you given clear instructions for your work?

Yes		No	
-----	--	----	--

26. Are you doing work that is detrimental to your health?

Yes		No	
-----	--	----	--

27. Is there any protective gear given to workers to protect them when working with hazardous material?

Yes		No	
-----	--	----	--

28. How would you define communication with you and your direct manager(ess)?

Good		Satisfactory		Deteriorating		Bad	
------	--	--------------	--	---------------	--	-----	--

29. Do you have restroom facilities on the farm?

Yes		No	
-----	--	----	--

30. Are you affiliates to a union?

Yes		No	
-----	--	----	--



31. Are there any negative or positive aspects you would like to comment on about the equity sharing scheme on this farm?

Yes		No	
-----	--	----	--

(a) If your answer is “Yes”, in question 33 above, please comment.

(i) Positive comments:

.....

.....

(ii) Negative comments:

.....

.....

**THANK YOU!!!**